

## Trade unions in transitional Russia – peculiarities, current status and new challenges<sup>1</sup>

### Abstract

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. If, during the 1990s, the majority of the population saw themselves as victims of the transition to capitalism, in the new millennium they have the opportunity to realise all the advantages and disadvantages of living in a market economy and the consequences of their country joining the global economic system. We can undoubtedly say that trade unions still suffer from the so-called illness of 'adaptation to market realities', although it should be noted that, in the meantime, the 'patients' (trade unions), the illness and the methods to cure it, as well as the recovery period, have all changed.

**Keywords:** trade union functions, restructuring, economic reforms, market economy, crisis, alternative trade union structures, protest actions, employee protection, union-management relations, employee views, reasons for membership, labour disputes

### The Soviet period

From 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 (1930s), trade unions managed the social insurance budget, monitored labour protection and occupational safety and distributed free apartments. During the after-war period (1950s-60s), trade unions managed the majority of health centres, holiday facilities and other national resort institutions. Subsequently, they obtained the right to control the social and labour activities of all enterprises and to issue orders to eliminate violations. In the 1970s, the trade unions were granted the right to run not only labour but also legal inspection in companies. By the middle of the 1980s, Soviet trade unions were delegated supervision of the entire social and labour sphere. The joint decisions taken

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by the USSR government, the Communist Party and the Central Trade Union institutions automatically became standard acts and directives of the Party and trade unions

By the beginning of the 1990s, the trade unions had 6 500 employees devoted to the technical inspection of labour.<sup>2</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 the different levels of trade unions that monitored compliance with labour legislation.<sup>3</sup>

Carrying out the functions of state institutions was part of the programme aimed at attracting larger numbers of employees to discuss and solve daily labour 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, trade unions were part of the state bureaucracy in its full sense.

At the beginning of the 1990s, the trade unions had created a very large material base. They owned funds totalling nine billion roubles. Trade unions ran and supervised sanatoria, around 900 tourist organisations, 23 000 clubs and cultural centres (palaces of culture), 19 000 libraries, about 100 000 pioneer (scout) camps and over 25 000 sports organisations.

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 in enterprises as in a 'school of communism'. Besides the ideological, trade unions fulfilled other functions. In a typical industrial enterprise, the trade union committee would fulfil about 170 functions dealing with basically everything, although the area that the Soviet trade unions dealt with least of all was the protection of the rights and interests of employees. The protective functions (labour protection, monitoring occupational safety regulation and labour legislation) were carried out in conjunction with the state and economic institutions. This collaborative work held some place within the framework of trade union activities, but it was marginalised compared to the unions' production and distributive functions.

The power of the trade unions was built on their degree of 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 in their enterprise.

## The beginning of market reforms, 1991-1994

This marked a period of drastic change to the existing system and institutions (liberalisation of prices, privatisation 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 had already begun in the 'Gorbachev period' and the rup-

- 2 There was a special division within the trade union called 'Technical division of labour' (actually – working conditions issues). The number of employed people in that Institute was 6 500. Actually all of them represented the union bureaucracy at different levels – federal; regional; local – who controlled labour and working conditions in enterprises.
- 3 *Trade Union History in Russia* (1999) pp. 298-299.

ture of economic ties with the former USSR republics made Russian enterprises face problems they had never had to deal with before: a shrinkage of the consumer market and of sales volume in the internal Russian market as well as outside (and primarily in the Commonwealth of Independent States (CIS) countries), and a growing deficit of financial resources for internal and external payments. This, in turn, led to mutual debt between enterprises, the 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 had only been announced in 1991 when the Employment Law was passed; in Soviet times, unemployment was officially prohibited. The adaptation of all categories of the population to the new phenomenon of 'unemployment' was very painful: the population denied this status at a psychological level ('it is shameful to be unemployed'), while the officials of the employment services which were set up in 1991 assigned this status to people very unwillingly (Soviet tradition had it that only a lazy person could be unemployed and that 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 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 trade unions in the new Russia. The first of these united advocates of the notion to create new 'free' trade unions, as 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 intended to comprise the trade union leaders that had appeared during the protest movement at the end of the 1980s. These alternative trade unions were formed 'from below', i.e. by employees themselves, and thus they opposed the traditional functions of Soviet trade unions. Besides leading the protest movement, the alternative trade unions also fought for the protection of the rights of individual employees and labour committees; a new practice for 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, FITUR, or the continuation of the All-Union Central Council of Trade Unions) – wanted gradually to adjust the goals and aims of Russian trade unions to the main principles of international unionism. We can say at the outset that neither the first nor the second position were realised, for different reasons.

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

Trade unions and enterprise directors were in favour of changes and corrections to economic policy (the so-called 'directors' strikes'). The decline in living standards of the population after the complete liberalisation of prices made the trade unions declare

that their primary goal was the fight for social protection mechanisms for employees, as well as for social groups whose income was fixed by way of pensions, benefits and stipends – which, again, was not in line with trade union activities.

The beginning of the 1990s was a short period in the history of the 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 becoming useless to the state. For the still highly bureaucratic trade union staff, used mainly to just distributing resources (and not protecting employees' rights), this drastic change was highly unwelcome. Furthermore, it should be noted that FITUR (at the federal/national level) in fact looked like a group of holding companies owning hundreds of real estate objects, making it one of the biggest property owners in the country. The threat of this property being nationalised, or simply privatised by way of free sale, turned into a powerful means for the state to influence FITUR.

The very issue of trade union property and the 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 nationalisation. The question of state influence over social insurance structures became one of the lines of conflict between the government and 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>4</sup>

In 1994, the state took over the monitoring of working standards, a task that had been a typical function of the Soviet trade unions.<sup>5</sup> After the new Constitution of the Russian Federation came into force (1993), trade unions lost the power to initiate laws, which they had been granted in 1970.<sup>6</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 labour protection were limited to the functions of public control.

Having lost the 'driving seat', the activities of post-Soviet trade unions lost focus, which soon resulted in a strong ideological crisis at the beginning of the 1990s. How-

4 RF President Act of 28 September 93 *About the Fund of Social Insurance of the Russian Federation*.

5 RF President Act of 4 May 94 *About State Monitoring and Control of Compliance with the RF Law in the Area of Labour and the Protection of Labour*.

6 In some administrative regions of Russia, this right was retained.

ever, after a while, the traditional trade unions reinstated their dependence on the state by adopting a role as the systematic (allowed) opponent of the ‘anti-population’ course.

The strengthening of the state institutions resulted in trade unions losing their positions at all levels of negotiations. FITUR management was no longer making any attempt to shake up their members (the large-scale events that FITUR would organise for a variety of purposes did not count).<sup>7</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 the latter. Trade unions chose a direction of ‘constructive co-operation’ with the power structures, gradually taking the niche of the official pro-state organisation that they were used to. The traditional trade unions (FITUR) took a position of one of the institutions of ‘social partnership’, the Russian variant of which was, in essence, a kind of 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 comparable to those held 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 the competitors of FITUR also turned out to be rather sad. At the beginning of the 1990s, their active protection function was fulfilled alongside the fight for the social heritage of FITUR, including 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 fall-off 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 closer to 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 the state structures, which gave them hope of soon getting power.

The small ‘new’ trade unions thus found themselves in a predicament, while the mass ‘traditional’ ones monopolised the role of representing employees at all levels of the social partnership (federal, sectoral and at the level of each enterprise). Many of them started to join different organisations that began to co-ordinate their activities and to fulfil representative functions in relations with the state. This characterised a ten-

7 I mean such events as peaceful May Day demonstrations and demonstrations as a support for some official policy decisions. Such demonstrations looked like a ‘mass of people walking’ for pleasure). There was no effect from such activities, but it was the only image of trade union activity.

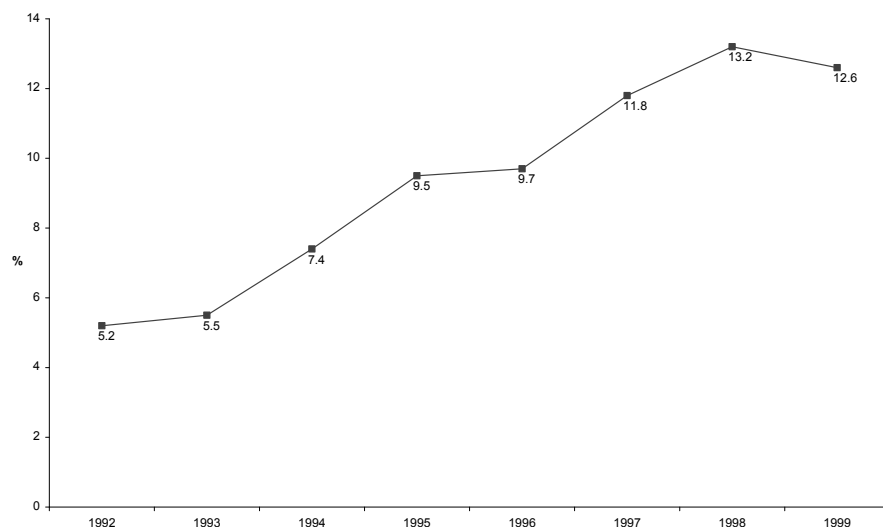
dency towards the adjustment of the new trade unions to the system of the re-distribution of state functions.

Thus, with time, the contradictions and differences between the 'new' and the 'traditional' professional union committees began to level out. The 'new' trade unions, with the exception of the most radical ones, started coming back to traditional trade union functions. This was much more difficult for those professional committees who no longer had 'access' to power than it was for the traditional ones. The problem of the new trade unions lay in that they existed separately and their leaders could not agree among themselves.

### The period of economic crisis, 1994-1999

Compared to 1991 levels, GDP in 1998 was down to 68 % and employment had declined by 16 % (from 75.3 million to 63.4 million people). As a result, the unemployment rate grew very rapidly, reaching a peak in 1998 (13.5 %). At the same time, Russian statistics did not show a great deal of difference in the scale of unemployment between regions or within them. If, in 1992, the unemployment rate was over 9 % in only two of the 89 Russian regions, by 1995 it had grown to 45; and, in 1998, to 75 while in 37 regions this indicator was above 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 people employed in the private sector (which grew from 16 % in 1991 to 61 % in 1998), and in the service sector, started to grow.

By the mid-1990s, it had become clear that ‘shock therapy’ had not delivered the results that the reformers were expecting: market mechanisms (‘natural market power’) had not started working. The reformers initially thought that the privatisation of state enterprises would lead to the appearance of real owners and the effective management of enterprises under market conditions. That is why the outburst of unemployment during the first 2-3 years of reforms was permissible 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 job openings. However, mass privatisation did not lead to the rapid restructuring of industry. Production volumes were falling and the problems of enterprises in the employment sphere were consistently growing, resulting in extreme measures like unpaid forced administrative leave, working without salary and the payment of salaries in kind. The outcome of not resolving employment issues was the accumulation of large numbers of employees in enterprises.

In these 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 within an enterprise that does not pay salaries, or is late in paying them, 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, were certain that they would keep their job.

During this period, a trend was noted among owners to shift responsibility for the poor situation within the enterprise to 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 obtaining stronger guarantees from the state on the stability of the enterprise. Our research results show that more than half of management and trade union leaders (81 % and 78 % respectively) believed that the reasons for their problems lay in the economic crisis and government policy; only 6 % of management and 14 % of trade union leaders saw the problem lying in the mistakes of management. Such reasons as low working discipline, large numbers of surplus employees and a deficit of skilled staff were considered to be of less importance. As a result, the real existing problems within enterprises were replaced by the opposition of trade unions and management to the state structures, developed 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 trend was the decrease in union membership. The objective reasons for this were:

- the absolute decrease in the numbers employed in the economic sector, especially in industry
- the growth of a private sector ‘free’ from trade unions
- the ‘loss’ of trade union members in the process of privatisation



- the appearance of alternative trade unions and the move of some employees from the traditional trade union to the alternative unions, which did not usually count their members
- the withdrawal of enterprise management from trade union membership.

Our research shows that, in manufacturing industry alone, the number of enterprises that had trade unions dropped by 15 % over the 1991-1998 period (the number of enterprises with unions reduced from 100 % to 85 %), while the level of trade union membership (the unionisation rate) dropped by 20 % (from 100 % to 80 %) (RLFS, 1991-1998).

In the recently-created private enterprises, trade unions were not established. The results of our research show that, by 1998, trade unions had been set up in only 7 % of private enterprises in the manufacturing industry.

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

In this regard, the historical facts need to 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 to economic efficiency, but resulted in a social stability that could not be reached in any other system: social guarantees were almost absolute. Thus, employment guarantees were almost unshakable – at enterprise level, it meant employees received guarantees of a job for life. The centralised system of paying for labour, in combination with stable prices, created minimum guarantees. Education and health were free of charge.

From the social point of view, the drawbacks to this system are very clear. The larger part of the population had to make do with a stable, but minimal, choice of benefits and high-quality services. 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 obtain something in addition to the basic minimum guaranteed by the state: a free apartment, access to sanatoria, the ability to send children to nurseries and schools, the provision of shortage products and consumer products, etc. Well-off enterprises had the opportunity to give their employees a great number of additional benefits the distribution of which was administered by the trade unions and actually constituted their main function.

During the 1990s, despite the radical changes occurring in the social and economic status of hired labour, the people (trade union leaders, employees and some part of employers too) saw these distributive functions as the primary role of trade union work. According to our research from 1995 and 1998, the main reasons for employees turning to trade unions were to get access to a free trip to the holiday camp or sanatoria, and the distribution of various benefits (products, food, etc.). Over one-half of trade union leaders (51 % in 1995 and 61 % in 1998) considered this to be a normal state of affairs. Employee requests to trade unions for help in resolving working disputes were treated as secondary to the distribution function. The low level of activity of trade unions, their incompetence and frequently the lack of desire to fulfil protective functions led employees (who had previously felt protected by the state) to see that no-one was now



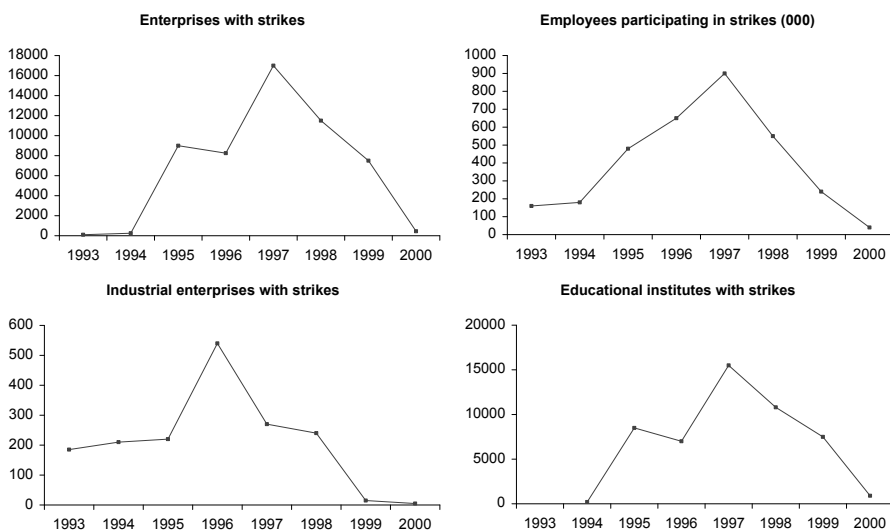
protecting their interests and that they could rely only on themselves. During our research at this time, such a reply was obtained from 28 % of respondents in 1995 and 48 % in 1998. Another fact was also of great interest: almost every fifth trade union leader shared the same stance as employees.

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

### The period of economic growth, 2000-2008

The growth in 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 industrial workers (1993-1994) were replaced by strike waves of employees from the education sector (1995-1999). The main demands of the strikers were the payment of delayed salaries, occasionally proceeding alongside political slogans for the President and local authorities to resign.

**Figure 2 – Industrial, educational and employees participating in strikes, 1993-2000**



In the 2000s, certain changes took place in the attitudes of trade union leaders and hired labour towards strikes. On the one hand, the number of advocates of strike action from each of these groups doubled. They regarded that 'a strike is an effective means of fighting for the rights of employees'. At the same time, however, trade unions were even more frequently coming to the conclusion that strikes were useless. The over-

whelming number of employees (over 50 %) continued to point to the uselessness of strikes as a means for resolving problems. And this can be understood: trade unions were on the side of management during the crisis and fought for state funding behind the principle that 'a strike can only make the situation in the enterprise worse' while the protection of employee rights remained a secondary goal.

**Table 1 – Trade union 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	34.3
Others	12.8	3.9	2.2

**Table 2 – Workers' attitudes towards strikes (%)**

	1995	1998
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 improvement in the economic situation and the decrease in social tension among enterprise staff created the conditions for the 'return' of trade unions to their main functions and a strengthening of their positions in the social and labour spheres within enterprises. Despite the great losses in trade union members, there remained, at the beginning of 2000, quite a large number of employees who were covered by trade unions; about 60 % on average.

This return was due, above all, to employees beginning to appeal to the employer as the protector of their interests. The growth in the rate of unemployment among white-collar workers in the financial sector who lost their jobs in August-October 1998 (the result of the financial default), who were looking to the institutions to protect them from the mass and very often illegal cuts that went alongside severe violations of employment law, contributed to that. Partially, it was indeed exactly this that provoked a return to the 'idea of the trade union'; an understanding that trade unions are the only institutions that can be appealed to during violations by employers at a time of crisis. 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 management'.

Secondly, by the end of the 1990s, trade unions began to seek to get involved with the resolution of labour conflicts within enterprises, a move that was welcomed by employees. If, at the beginning of the decade, only 5 % of employees were resolving labour conflicts with the help of trade unions, then this share had doubled by 1999. Another 18 % of employees were looking to the trade unions to be a protector in situations of management violations which, in many cases, was related to unsanctioned firings.

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

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

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

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 assist with the centralisation of trade union institutions. The second involved the creation of a federation, or independent association, of trade unions in the company. This variant would strengthen the co-ordination of trade union activities in enterprises while, at the same time, maintaining their independence. Contact with 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 HQ level. This meant that the *status quo* of existing trade unions would be retained and a mechanism for feedback in the company created.

Each of the variants had their pros and cons but, at the core of making a choice between them, there lay the principle that a 'radical change in the mechanism of interaction with trade unions was not rational'. The overwhelming majority chose to strengthen the corporate trade union, while a lesser number went for the third variant, i.e. creating an institution which managed the process of collective negotiations with trade unions in all enterprises that are part of the same company.

### Trade unions and management: forms of interaction

From 2000 onwards, trade unions in enterprises have slowly but gradually adjusted to the new social and economic realities, forming new mechanisms of interaction with management. All the nuances of interaction between management and trade unions, according to the traditions of the pre-reform period, simply re-appeared albeit in a slightly modified way. The understanding by trade unions of their independent role as

the protector of employee interests in a '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 in 'well-off' enterprises – consensus between trade unions and management was reached largely through the voluntary refusal of trade unions to become involved in the most important day-to-day issues, such as the protection of jobs, leave and the resolution of specific conflicts. This dependence of trade unions on management was noted even by 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 at all times (Soviet and now) tends to be closer to the employer.

In many companies, employers wanted to see a more proactive participation of trade unions not only in the traditional functions handed down from Soviet times, but also in fulfilling a mediatory role in resolving labour 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.

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 was not needed was articulated rather rarely. Moreover, in some companies, employers do think that:

You cannot do without trade unions. The set up of trade unions and regulating relations with management through them is the international trend and experience.

Our research shows that company management and trade union leaders had the same positions in relation to the area of responsibilities of the trade union. Management was ready to listen to the opinion of the trade unions on such issues as the formation and distribution of benefits packages; salaries; solving working conflicts, such as redundancy; conditions applying to the social and daily working environment; and the development of local labour standards. Questions related to company management and the distribution of revenue should not, according to management, be the area of responsibility of trade unions. Neither did trade unions, in turn, want to become involved in discussing these areas:

If there is an opinion somewhere that a trade union wants to take over substantially, it is wrong. The trade union is only taking over what management is willing and ready to give it.

In enterprises where trade unions are active, the social services managers see in them, above all, a source of assistance in their daily activities that they value greatly and do not want to lose. There are several reasons for this.

First, they consider that trade unions are closer to the employee; they are trusted and, therefore, can collect more information on the 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, for their part, believe:

We are useful for the employer since we act as a sort of a ‘buffer’ and help to keep the social peace while not letting a 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 conflict.

Secondly, trade unions have their own channels and opportunities to make contact with management. In large, vertically integrated, companies, trade unions can sometimes avoid the role of mediator and bring the attention of both management and the social department within the company structure to particular issues. Very often, a similar system to that of the 1990s is being generated, when the employer and the company’s personnel united to lobby the state on behalf of their interests – except that, now, it is the management of the company and the trade union that are bonding to resolve their issues with the HQ of the company.

Thirdly, trade unions have traditionally taken over the organisation and running of cultural and sporting events and festivals; that is, they help the management support and develop corporate traditions.

And, ultimately, trade unions depend on management in a financial and psychological way (trade union leaders leaving their job very often receive a monetary compensation ‘salary’ from the employers, frequently bonuses and the possibility of using social benefits packages). Often, the company management is also a member of the trade union and, thus, has the opportunity to influence the decisions of the trade union from within.

During these first years of economic growth, the status of trade unions and their functions and areas of responsibility were mainly determined by the management of the company and the ability of the unions themselves to adjust to changing circumstances. Three styles of relations between management and trade unions can be identified. The first is ‘the trade union as a younger brother’. This type of interaction prevails mainly in well-developed companies in ‘rich’ industrial sectors. The second type is ‘the trade union as a passive observer’, which is typical of not very successful companies finding themselves on the edge of collapse. The third type is ‘relations between partners based on personal appeal’.

A 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.

## Employees and trade unions: expectations and reality

If the positions of principle of both trade unions and management in relation to the areas of responsibilities of the trade union were the same then, within the trade union-employee relationship, there was a big gap between the actual role of trade unions and the perception of employees towards the union. Most employees still see trade unions not just as an organisation based on distribution but one which also provides social benefits and services within the company. Research from 2007-2008 shows that over one-third of workers think that they get benefits from or 'through' the trade union. Between 50 % and 80 % of workers turn to trade unions on social and day-to-day labour issues.

At the same time, however, employees are starting to see that the main function of trade unions lays in protecting their rights (42 %) rather than in distributing benefits (about 38 %). In practice, trade unions are realising this goal in a somewhat downsized version:

- only about 10 % of workers think that trade unions can protect their interests
- a further 25 % agree, but qualify it by adding 'but not on all issues' or 'but not for all workers'
- in a conflict situation, workers turn to the management more often than the trade unions.

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

### *Age factor*

This encompasses the values of different generations relating to the peculiarities of socialisation 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 to join a trade union (in the form in which it now exists). A drop in the membership and the partial loss of trade union authority can thus be forecast.

### *Professionalism factor*

With the increasing professional status of employees, there is a growing scepticism towards trade unions as protectors of rights.

### *Communications style*

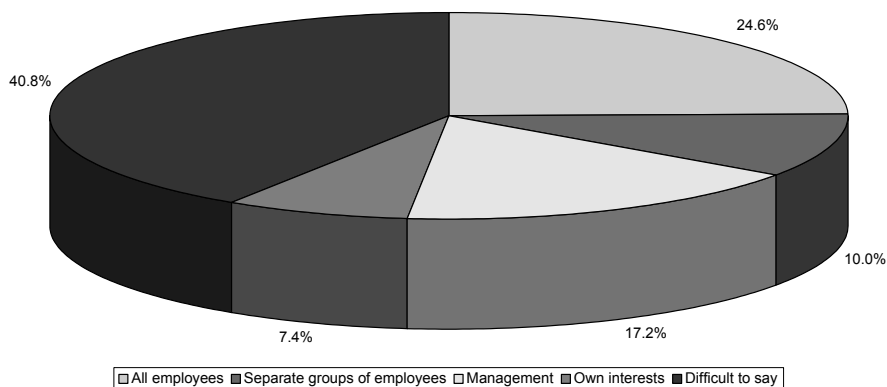
This pertains to the style of communications which exists between the trade union and top and middle management (distance or co-operation). At present, it is the 'distance' style which prevails.

Less than one-half of respondent employees in a 2008 survey (41 %) thought that trade unions protected their rights in the company (about 5 000 people working in companies in the TNK group). So it boils down to the main role as seen by trade unions not being one that is perceived by the majority of those receiving such services. At the same time, one can note a rather high level of trust in trade unions although, overall in

Russia, according to national polls, only 27 % of members reply positively to a question on whether they see trade unions as protectors of their rights.

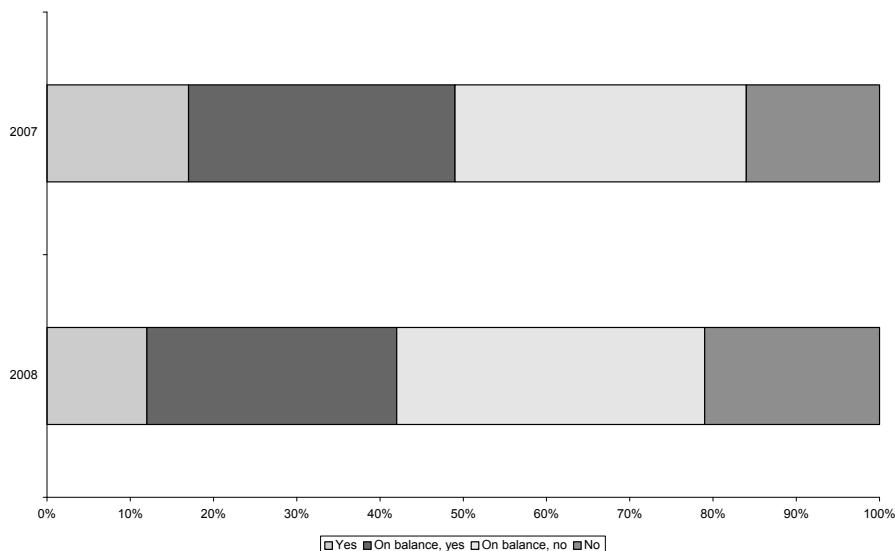
Furthermore, to the question '*Are trade unions capable of protecting the interests of employees at the moment?*' (Figure 4) only 17 % of respondents replied positively in 2007 and 12 % in 2008; in contrast, 16 % replied 'no' in 2007 and 21 % in 2008. The majority of respondents (67 % in both years) could not definitively formulate their position: approximately one-half answered 'on balance yes' while the other half responded 'on balance, no'. Interestingly, the answers were no different between occupational groups or on the basis of age or gender.

**Figure 3 – Answers to the question 'Whose interests does a trade union at the enterprise protect?' (%)**





**Figure 4 – Answers to the question ‘can trade unions at your enterprise protect your interests and the interests of your colleagues?’ (%)**



### Trade union membership

Research shows that the level of membership of trade unions depends neither on the sector in which the enterprise is located, the number of employees nor the regional location of the company. Changes in the number of members are determined by subjective factors alone. ‘The usefulness’ of trade unions is measured by the level of their loyalty to management and the volume of the delegated responsibilities that are part of management’s competence. It is rather exceptional to have an independent trade union in an enterprise. The stability of the position of the trade union in an enterprise depends in many ways on the personal qualities of its leader. Successful trade union leaders 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 management. Another option is to try to develop constructive dialogue with management for the sake of reaching a ‘social peace’ in the enterprise.

Factors that make people leave the trade union include:

- *the distributive function of trade unions being reduced to a minimum*

When the distribution of social benefits is transferred completely to the management of the enterprise, employees start to realise that the source of social benefits (social packages and programmes) is the revenue of the enterprise and that the body

providing them is the owner, or 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 and access to nurseries and hostels. At the moment, the trade union is not involved in that.

The role of trade unions in resolving these questions came down to taking part in joint panels with the management. Trade unions believe that employees then more often ask the question 'Do we need a trade union that no longer has anything to distribute?' and that employees then leave them.

- *social benefits and privileges are distributed to all employees regardless of whether or not they are members of trade unions*

The collective agreement does not give trade union members exclusive rights to the social packages and benefits provided by the company. This right is extended to all employees. That is why, for most employees, the need to pay union membership fees becomes obsolete. For this reason, 'Employees leave the trade union and, if they stay, it is mostly because of inertia'.

- *the inactivity and passiveness of trade unions*

In failing to resolve the problems of an individual employee or a group of employees (e.g. a lack of support for requests for salary increases). For employees, this is a strong argument to leave the trade union.

- *limitation of trade union activities to the organisation of mass events – supported by the management*

Our trade union is very good at organising various events, concerts, etc. Let them do that. The rest is none of their business; we will deal with that ourselves.

At one enterprise, research showed that this was the reason for about 14 % of members leaving the trade union within a year.

- *obvious conflicts between 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*

i.e. 'in return' for an increase in salary

- *the high level of membership fees*

Membership fees are 1 % of salary, deducted automatically from salary. This is a large amount for low-paid workers, especially in the context of a 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 the growth of trade union membership consist of:

■ *management support for trade unions*

The level of membership in some 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 management treats it. One of the forms of support which management offers is managers joining the trade union.

■ *protection of employees from redundancy*

i.e. during restructuring in order that the company may operate 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 respondents who are and who are not trade union members.

The position of an employee is not influenced in any way by whether or not he/she is a member of the trade union: it is more influenced by the employee's level of integration into social and working life and the organisational culture of the company. This is proven by such factors as satisfaction with salary, working conditions and the structure of motivation being relevant for both members and non-members. The conclusion that trade union membership is useless becomes even more obvious if we look at the centralised implementation of social policy in enterprises and that, according to the Labour Code of the Russian Federation, a collective agreement is valid for all employees with no reference to whether or not they are trade union members.

Another point is that trade union membership can enhance the process of employees' adjustment to a new workplace and to a company's corporate ethics and culture. It is also obvious that trade union membership widens the potential for making use of the possibilities of labour rights protection. This can be proven in that employees who are not attached to trade unions have twice as many labour disputes on different issues. It is also of interest that even non-members often turn to trade unions for help.

Speaking about those who are non-members, we note that they do not have a negative attitude towards trade unions: the evaluation of trade union organisations and their activities in enterprises is at the same level amongst both members and non-members, although trade union members do tend to give more positive answers.

## Labour disputes

### *Number of labour conflicts at national level*

From 2006 until autumn 2008 (i.e. until the onset of financial crisis), there was another outburst of the collective protest movement in Russia. Official statistics do not, unfortunately, reflect the real situation since figures are published very late and even those that are published show only 'officially registered and allowed' collective protests. First of all, strikes not officially recognised are not taken into consideration. Secondly, 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 organising a strike mean that mass protest often takes other forms.

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

- first quarter of 2008 – 17 conflicts
- second quarter of 2008 – 19 conflicts
- third quarter of 2008 – 30 conflicts.

It is difficult to define the meaning of this growing number of registered conflicts in terms of whether it either reflects a growth in the number of conflicts or a growth in the number of conflicts that are mentioned (i.e. either by journalists or by people on internet sites). The internet does not provide information on all conflicts; only on the most meaningful ones noted by the press and information agencies. Some conflicts, for example the strike which took place in the Moscow regional train operation, are covered widely in dozens of publications whereas others, for example the very important and large-scale strike of dockers in St. Petersburg which occurred at the same time, are hardly covered at all. Some strikes become the theme of analytical articles in which their reasons, consequences and specifics are described whereas others just appear on televised news bulletins. However, even this coverage, while not necessarily full, allows us to obtain an understanding of the scale and numbers of labour conflicts in the country.

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

Collective labour conflicts occur in all sectors of the economy. First, in the production sector, from the extraction industry to high-tech machine building. There are many conflicts in the transport sector, services and metal industry, gold mining, health, commerce, the municipal economy and even in military sectors. Neither is the state budget-backed sector an exception. It is impossible to single out any special area of conflict at the present time.

In many cases, employees' demands relate to increases in salary. However, if demands for salary increases can be considered normal for a market economy, then the (re-)occurrence of salaries being paid in arrears cannot be called normal at all. In this case, we are talking about employees not receiving any salary at all over a long-term period, sometimes for several months. Today's return to this theme from the 1990s is a worrying symptom that shows the lack of progress in labour relations in the last ten years.

Demands to maintain jobs and to improve working conditions are met more rarely.

**Table 3 – Number of registered labour conflicts in federal regions in the first three quarters of 2008**

	Central	South	North-west	Far east	North	Urals	Volga
Q1	8	-	2	-	2	4	1
Q2	5	1	3	1	7	2	-
Q3	4	5	1	10	1	3	7
Total	17	6	6	11	10	9	8

Much of the registered activity takes the form of unsanctioned actions – work stoppages, hunger strikes or actions taken at random. As practice has shown, courts do not consider such strikes official, even if they originated in official collective labour disputes. The unsanctioned strike of Moscow railways workers, who tried to initiate a collective labour dispute in 2008, has led to an understanding that there is a need to run unannounced strikes that cannot be prevented or ignored. This method seems most effective for attracting the attention of the employer to the need to engage in dialogue as well as for attracting the attention of the state.

The role of trade unions in labour conflicts does not appear to be particularly important. In the best case, the trade union ‘supports’ the strikers, providing a point of consultation for them and helping in negotiations. The trade unions themselves rarely initiate a legal strike in the framework of a collective labour 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 in such a case become responsible for it.

#### *Protest actions in the industrial sector of the economy*

The most well-known strikes in recent years have taken place in the ‘richest’ sectors of industry (fuel and the energy complex) and in companies that have foreign owners (the automobile and food industries). Typical traits of these collective actions are as follows:

- the actions were organised not by the industry sector trade union or by national trade unions but by an occupational-based group active at a local level. The protests started with the common trade union demand for an increase in salaries and then turned into city-wide protest activity
- the protest actions appeared rather moderate. The organisers of the movement were ready to act only in accordance with the law and stressed that they did not favour strikes and had no political claims
- in 2007, some of the protesters agreed concessions on their claims:

Ford employees agreed to a 13-15 % salary raise (though they had asked for 30 %); and Heineken (St. Petersburg) employees agreed a 30 % salary increase (although they had asked for 50 %)

From then onwards, in 2008, those organising protest movements did not agree on any such compromises

- collective meetings resulted in the setting-up of alternative trade union organisations. The leaders of these alternative trade unions were not employees of the company.

The main reasons for the launch of these collective protest actions were:

- the low salary level of employees in comparison with the high revenues of the company even though, at the same time, the level of salary in these companies is three times higher than the average salary level for the country
- mistakes of the company management in terms of social policy
- the company's refusal to invest in a labour management system and in 'socially responsible' restructuring
- the appearance of a specific group of dissatisfied employees as a result of the closure of a particular department of the company.

The strikes usually resulted in the employer meeting the demands of the strikers. The factors associated with these successes are as follows:

- large companies are interested in preserving their reputation as a civilised employer
- power structures are interested in building the investment attractiveness of their region and in preserving social peace before elections
- international trade unions provided support to employees.

The relevant balance of social interests within a company is maintained – but the level of conflicts has also remained the same. The constant area of tension is mainly dissatisfaction with the level of salary.

Despite noticeable improvements in the social and labour spheres, the level of potential protest activities has not diminished: a readiness for strikes was expressed by one in every four employees, as in 2004. The potential risk of such attitudes lies in the possibility of the establishment of alternative trade unions to the current ones, loyal to the management. They would look more attractive to employees dissatisfied with their salaries and with the compliant position of the existing trade unions in the company. Considering the need to strengthen the protective functions of trade unions, and that the existing unions are not fulfilling it, this niche remains free.

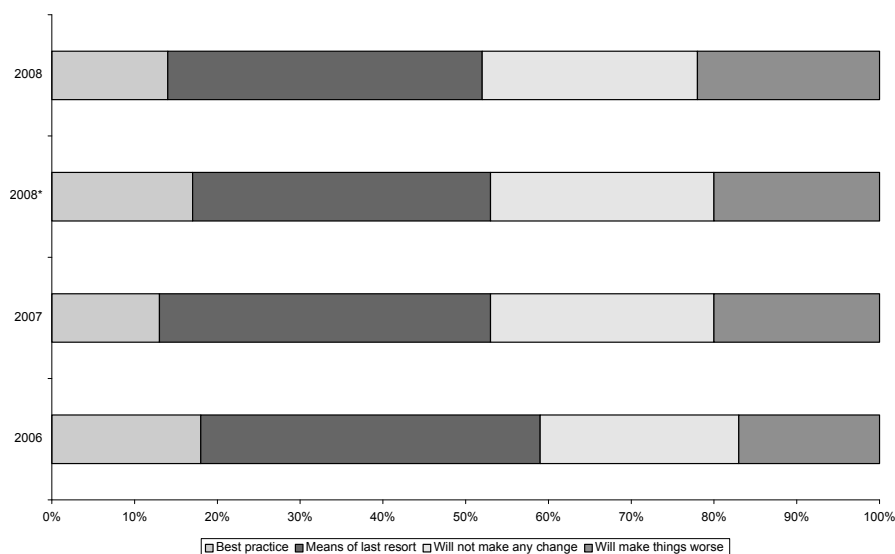
At present, labour disputes are resolved by the joint forces of trade unions and management, but existing practice shows the ineffectiveness of such mechanisms. In many cases, the conflict is not resolved and over one-third of employees never turn anywhere else for help after that, believing it to be useless. That is why, over the last several years, the level of latent conflicts has been growing and dissatisfaction accumulating, surfacing from time-to-time in a form of radical protest.

### *Employees' attitudes to strikes: research results*

The growing number of conflict situations in social and labour areas brings forth a reasonable question about how far employees are ready to go in 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 2008 poll.

Figure 5 shows that attitudes to strikes did not change substantially in the 2006-2008 period. Half the respondents do not accept the very idea of striking; the other half think it is acceptable in principle, but most see it as a radical means of handling a collective labour conflict.

**Figure 5 – Employees' attitudes to strikes, 2006-2008 (%)**



Looking at occupational background, workers favour strikes more than engineers and specialists (15 %-18 % against 5 %-10 %). Attitudes towards striking also differ by educational status: only 10.4 % of employees with higher education considered a strike as the best means, while 43.2 % considered a strike as a last resort. However, the reverse was observed amongst the group of workers who do not have technical education: here, 47 % consider strikes as the best means and 22 % considered them to be a last resort.

### Social partnership and the collective bargaining process

The normal functioning of the labour 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 organisations of employees and employers open for the negotiation 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 civilised forms of preventing and resolving labour conflicts (the economic layer of social dialogue). According to another approach, it presupposes collective responsibility for the results of economic activities



and the 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 developmental prospects of social partnership and its consequences. However, very few argue with the statement that, in a situation of individualisation and the growth of flexibility in the job market, there will be a need to modernise traditional forms and methods of employee rights protection through large trade union organisations and the development of alternative mechanisms in parallel. These problems are now equally important for well-developed countries as well as for developing economies, where traditions and the low level of legal and social protection of employees significantly distort the natural course of social dialogue establishment and social partnership.

At enterprise level, the process of collective bargaining is usually highly formalised, and the main function of the trade union at the preparation stage is:

Realistically to 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 those suggestions that were not included in the business plan (for example, an increase in the budget for social programmes).

The trade union only formally initiates the signing of the collective agreement. In reality, the trade unions do little more than fulfil the formal procedures required for signing the collective agreement, monitor the date of its expiry and proclaim the need to sign a new one. At the same time, the trade union can effectively use the collective agreement to establish contacts with employees so as to inform them of its content.

The preparation of the collective agreement is not an independent process.

In fact, the collective agreement is just an official document stating the social programmes set down in the company business plan. Some of them could be slightly influenced by the trade union, but are under the control of management. There are usually no arguments between the two partners to the collective agreement and arguments that are registered in the protocols for the agreements never receive the attention of top management and, therefore, are never resolved.

A study of the texts of collective agreements that have been recently signed, and interviews with management and trade unions in enterprises, shows that a collective agreement is a combination of a 'summary of the labour code'; standards which should be followed even in the absence of the agreement (e.g. the sides agree that weekly working time does not exceed forty hours); and the internal standard documents of the company. Any new positions can be included in the agreement only after discussion with HQ and following their insertion in the business plan. There are even cases when the agreement includes violations of the labour code (regarding trial periods, the payment of salaries, etc.).

Overall, it can be said that the area of the regulation of collective agreements 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 Labour Code are not addressed:

If there is no money in the business plan, it does not matter how attractive the collective agreement is, it will not be implemented.

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

## **Conclusion**

Before the current crisis, the position of trade unions in most enterprises was stable. This is confirmed by high levels of trade union membership, high numbers of senior managers in the trade unions and a 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 between trade unions and management in the realisation of social programmes is being gradually reduced to trade unions becoming sources of assistance and in fulfilling technical and registration functions
- the role of the trade union as the protector of employees' rights, translating their interests to the different levels of management, is insignificant, as is 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 at which a strong and independent trade union presents a threat to the company will not be realised in the foreseeable future. On the contrary, the weakness and passivity of trade unions leads to a high level of potential conflicts being formed in the enterprise, which is contrary to the interests 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 to be more active within the company. Trade unions form public opinion and influence the company's image. This is a more obvious reason for the employer to avoid conflict with the trade union and to find ways for constructive co-operation. Good contact with 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. The attitude of employees became more pragmatic (what can a trade union do for me?), and can be noted in specific actions. Trade union membership numbers became multi-dimensional: in some enterprises, numbers grew while in others, they went down. This tendency stopped having a long-term and one-way characteristic.

During the current crisis, the few positive trends that exist 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:

- the social and economic conditions of employees will deteriorate (the real threat of losing employment, income cuts, growth in the national rate of unemployment, fewer opportunities of finding another job, etc.)
- the protective functions of trade unions will weaken. Trade unions will face a dilemma – either to support a management that is planning to cut personnel and/or salaries; or to support employees, thus confronting management (which is not typical of trade unions and which, more importantly, will not have any effect in the current conditions of a 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 their authority will diminish and a loss in membership can be expected.

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

During the economic crisis, the current forms of trade union and management co-operation will have to go through new challenges. This will especially affect companies in which a balance has been found meeting the interests of both sides in labour relations. The reasons are as follows:

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