

# Comparative Employment Relations in the Global Economy

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To Matteo Felli Frege  
To Jo, Alex and Sarah Kelly



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## 16 Russia

Sarah Ashwin and Irina Kozina

Russia has undergone a historic transformation since the collapse of the Soviet Union in 1991. Employment relations are central to understanding the outcomes of this change. On the eve of reform, the trade unions inherited from the Soviet past were the sole organizations of civil society with the potential to impose social constraint on Russia's new ruling elite. The Federation of Independent Trade Unions of Russia (FNPR) – the successor organization to the Soviet trade unions – entered the transition with a union density of nearly 99 per cent, but also with a history of subordination to management and the political authorities. As will be seen, the unions proved unable to escape their dependence, and therefore failed to provide effective representation of workers' interests during economic reform. This gave the economic reformers a free hand, with disastrous consequences.

The Russian case shows that the ability of actors to exercise strategic choice varies greatly according to context. Russian unions were strongly constrained in their response to reform – 'over-determined' is the word that comes to mind in relation to their apparently pusillanimous conduct. The Russian state was ostensibly far less confined in its decision-making, but it still found it hard to escape the 'sticky' institutions of the past. It was not the formal institutions of Soviet power which proved most resilient, but the inherited pattern of clientelist relations and politicized resource allocation, which subverted the economic and political 'transition'.

### Actors and processes

#### *The origins of the Russian employment relations system*

Russia's neo-liberal reform programme, launched after Yeltsin came to power in 1991, was a political and economic project intended 'to dissolve the past by the fastest means possible' (Burawoy and Verdery 1999: 5). Disregarding institutions and the rule of law, the reformers relied on the creative destruction of the market, which they believed would 'make all things new'. This vision failed. In the face of economic meltdown, Soviet practices and informal institutions showed a good deal of resilience. This is certainly the case in employment relations, which in many respects retain a distinctly Soviet form. The traumatic transformation of the 1990s left its mark, but, as will be seen, the Soviet institutional legacy remains a dominant influence on employment relations. This section considers this inheritance.

According to the ruling Communist Party, Soviet employment relations were 'non-antagonistic', because both managers and workers were employees of a state led by the Communist Party which ruled on behalf of the working class. The state was the sole property owner, and directed economic activity in the interests of the proletariat, Marx's 'universal

class'. Trade unions were therefore not needed to represent workers' interests. Instead, Lenin conceded that they could act as 'mediators' in cases where tension arose from 'bureaucratic distortions' in the state administration (Lenin [1922] 1947: 761–2). They were also to facilitate links between workers and the Party, by becoming, in Lenin's famous phrase, 'transmission belts from the Communist Party to the masses' (ibid.: 766). The other main role ascribed to trade unions was improving productivity and labour discipline – in which capacity they were serving what was claimed to be the 'objective' interests of workers in the rapid economic development of the USSR. Meanwhile, during the Stalin era the unions were also charged with administering the social services provided by enterprises. Acting as the social and welfare departments of enterprises over time became their most important role.

Given the way their role was defined, trade unions were unable to act as workers' representatives. At the enterprise level they were subordinate to both management and the Party. There was no input from below; the unions were strictly hierarchical and all policy was made at the highest level. Moreover, workers did not trust the unions – they were well aware that they were not independent organizations. At a central level, the trade unions were organized into large branch and territorial organizations uniting all the employees (including managers) in an industry. These in turn belonged to the All-Union Central Council of Trade Unions (VTsSPS). These organizations could provide information and advice to government and state planners. However, in doing so they were acting as an agency of the state rather than as representatives of their members. Any power they possessed was not derived from their membership, but was dependent upon their relationship with the Party.

Managers were similarly dependent. Managers of state enterprises were subject to political control through the presence of Communist Party cells in enterprises. In addition, the majority of them were Party members. Their main task was to meet the production targets set by state planners. They did not have to make a profit or maximize efficiency. Indeed, their interest lay in minimizing plan targets by concealing the productive capacity of the enterprise, while trying to maximize centrally-allocated inputs. A whole series of tasks carried out by managers of capitalist firms, such as marketing and accounting, were not required in the Soviet system. Formally, managers also had no scope to develop independent personnel policies, since terms and conditions were centrally defined. Instead, they needed to be skilled managers of informal relations – with relevant state officials, suppliers and workers. The deficiencies of the planning system meant that informal incentives were required in order to ensure the smooth running of enterprises. For example, dealing with shortages of inputs required creativity and flexibility on the part of workers. The discretionary allocation of monetary and non-monetary rewards was an important tool in securing this (see Ashwin 2003, for more details).

The state was the linchpin of this system and it had to maintain a delicate balance. On the one hand, through the Five-Year Plans, the state aimed to increase production by what Lenin called 'enormous dimensions' (Lenin [1922] 1947: 763). On the other hand, it needed to secure political quiescence. Worker protest had the potential to undermine the legitimacy of a regime that claimed to rule on behalf of the proletariat. Managers were therefore required to deliver the plan – but not at the cost of provoking open resistance. One of the roles of the Party in the enterprise was to ensure that this equilibrium was maintained. A key way in which it did this was by providing channels through which *individual* workers could address their grievances. A disgruntled worker could approach the Party, the enterprise legal advisor, the trade union or line management. The Party was the only organization capable of constraining managerial discretion, and often did so in the interests of social order. The Party

and the KGB (the security police) intervened quickly in cases of strikes or protests, often granting concessions and sacking the managers or local bureaucrats deemed to be responsible for the problem (Connor 1991: 222). Meanwhile, workers could also seek legal redress, either through the enterprise legal advisor, or the trade union. The enterprise legal advisor was able to negotiate private agreements with individual workers, and help resolve disputes over issues such as overtime pay, vacation entitlement and dismissal (Shelley 1981). This meant workers could 'often receive rapid and fair resolution of their problems' (Shelley 1984). Workers could also seek help from the union in cases of dismissal, which required union consent. Mary McAuley found that, during the period of her study (1957–65), enterprise unions in Leningrad refused approximately half such requests (1969: 123). In all these cases, the social cohesion of the enterprise was a key consideration in the granting of concessions. Finally, workers could also make individual approaches to enterprise directors, or to line managers, who performed an informal representative function within enterprises (Ashwin 1997). The state insistence on meeting plan targets while maintaining social peace defined the parameters within which managers responded to worker complaints.

The collapse of the Soviet Union threw this system into flux. The (ostensible) aim of the state shifted from building Communism to creating a market economy, with dramatic consequences for employment relations. Managers and trade unions were forced to adapt as the political and economic certainties of the Soviet system were destroyed. And yet, as will be seen, the responses of the employment relations actors were shaped by the logic of past institutions as much as by the reformers' teleological vision.

### The state

For the purposes of contextualization, our consideration of the Russian employment relations system has to begin with the initiator of Russia's transformation: the state. After the collapse of the Soviet Union in 1991, the then President of the Russian Federation, Boris Yeltsin, was quick to seize the initiative, launching simultaneous economic and political reform. At this stage the presumed destination was a market-oriented democracy.

The reformers' chosen route to the market was the standard structural adjustment model proposed by the International Monetary Fund (IMF), which was applied with rigid inattention to the specificities of the local environment. The package entailed market liberalization (of prices, trade and capital flows), stabilization and privatization. Most prices were freed overnight in January 1992, plunging Russia into hyperinflation, and wiping out savings. Inflation was then controlled by high interest rates and strict control of the money supply – so-called 'stabilization'. This was also intended to drive out inefficient producers as state support for industry dried up, but instead it deprived enterprises of capital and pushed up the exchange rate, reducing the competitiveness of domestic producers suddenly exposed to foreign competition. The lack of liquidity led enterprises to develop non-monetary survival strategies: they reverted to barter, left their employees unpaid, and ceased investment, leaving plant and equipment to deteriorate (Woodruff 1999; Clarke 2007). Price liberalization and stabilization set the stage for a very corrupt privatization process. Voucher privatization formally allowed workers whose savings had been destroyed by inflation to gain a share in their enterprises, but the privations of 'stabilization' quickly induced workers to sell their (usually much depreciated) shares back to management. The consolidation of ownership was completed by the 1995 loans-for-shares scandal, in which the government acquired loans to finance Yeltsin's re-election campaign from private banks, many of them owned by

friends of the government. Shares in state enterprises were put up as collateral, creating instant billionaires when the government defaulted on the loans. In effect, enterprises ended up in the hands either of their managers, or of political insiders with close relationships with the government.

'Shock therapy' failed to bring any of the gains anticipated by the reformers, instead leading to unprecedented economic decline. In the period 1990–99 GDP fell by 54 per cent and industrial production by almost 60 per cent (Stiglitz 2002: 143). This led to a devastating decline in living standards for the majority of the population. In mid-1998 statistical real wages were a little over half their 1985 level. Moreover, this decline was accompanied by a huge growth in inequality,<sup>1</sup> implying the position of the poorest had declined even further (Clarke 1999: 120). Unemployment was not as high as was expected, reaching 9.7 per cent in 1996, and rising to a peak of 13.2 per cent in 1998 (Goskomstat 2003: 130). Comparatively low unemployment was little cause for celebration, however, since it merely reflected the fact that labour was so cheap and flexible that enterprises had little reason to shed staff. Enterprises routinely resorted to late payment of wages, short time and enforced leave during the 1990s, and encountered little protest from workers who continued to work without pay for months at a time (Ashwin 1999).

Amid this economic turmoil, the government facilitated the development of a comprehensive system of social partnership, with the enthusiastic support of the trade unions. In November 1991, Presidential Decree No. 212 'On Social Partnership and the Resolution of Labour Disputes (Conflicts)' provided for the establishment of the Russian Tripartite Commission for the Regulation of Social-Labour Relations (RTK), and similar commissions at branch (industry) and regional levels. The RTK was established in 1992 and stands at the apex of a system of branch, regional and sub-regional tripartite (or sometimes bipartite) agreements, with enterprise collective agreements at the base. This system of social partnership was given a secure legal foundation with the Federal Law 'On the Russian Tripartite Commission for the Regulation of Social-Labour Relations' of 1 May 1999.

The state's promotion of this elaborate system of dialogue was at odds with its toleration and perpetration of mass violations of the Labour Code in the 1990s (most notably through non-payment of wages). But this apparent contradiction caused the government little problem because the unions were in no position to call it to account. Instead, as will be seen, the unions used the system of social partnership as a lifeline, gratefully accepting the status of interlocutor, but unable to use it to defend workers' interests. Thus, national and regional agreements were characterized by general unenforceable provisions, a tendency to defer rather than initiate action, and repetition of existing law (Ashwin and Clarke 2003: 138–68). Enterprise collective agreements and branch tariff (industry) agreements were little better, with the former in particular frequently illegal, including worse terms than prescribed by law (ibid.: 228–34). Meanwhile, the violation of agreements carried no consequences, as no sanctions were mandated in the case of non-fulfilment. Only enterprise collective agreements were in principle enforceable, since the unions had the right to initiate a collective labour dispute when their terms were violated, but in practice this very seldom occurred for reasons related to their dependence on management, explained below.

Social partnership was thus a superficial façade, beneath which the government approached employment relations with impunity. Its attitude to protest can be defined as 'unresponsive toleration'. Unlike the Soviet regime it was not scared of open dissent, which did not challenge its legitimacy. Indeed, resisting the claims of those derided as 'rent-seekers' was a badge of honour for a neo-liberal reformer. Yeltsin's government generally opted to ignore worker protest and offered only limited concessions at politically sensitive moments such as

election periods, or when a strike was sufficiently disruptive (Borisov and Clarke 1996; Ashwin 1999). Most strikes concerned wage delays, and when it was forced into action, the typical government response was to send emergency funds to some of the strikers, promising full repayment later. This usually succeeded in demobilizing workers, who rarely secured anything beyond the initial payout. For example, a miners' strike against wage delays in December 1996 crumbled after Prime Minister Victor Chernomyrdin announced an emergency transfer of funds (Borisov and Clarke 1996). In doing so, he acknowledged that huge sums promised in the past had often not materialized (Associated Press, 5 December 1996). Such concessions never altered the overall direction of economic policy – the stabilization policy which was the root cause of the non-payment crisis remained in place until the collapse of the rouble in August 1998.

In the Putin era, the position of the state has shifted. Key to Vladimir Putin's success was his ability to present himself as a force for order, stability and the reassertion of state power (Sakwa 2008), after what most Russians perceived to be the chaos of the Yeltsin era. In policy terms, Putin did not abandon economic liberalism, though over time he did soften it through schemes such as the 'national projects' of government investment in socially important policy areas (Lukin 2009: 76). Despite the continuity in economic policy, Putin appeared to offer greater protection to society – so much so, that one respected academic commentator has characterized Putin's leadership as a Polanyian counter-movement against the ravages of the free market (Sakwa 2008: 880–1).<sup>2</sup> In policy terms it is hard to see it as such, but it may well have been experienced in this way by Russians after the economic catastrophe of the 1990s.

Putin's approach is well illustrated by the introduction of the new Labour Code. In line with the government's liberal leanings, its initial draft of the code proposed a radical deregulation of the labour market. This was vigorously opposed by the unions, which supported the 'deputies' variant' of the code put forward by a working group of eight deputies from various parties. The FNPR unions used their nationwide network of organizations to mount an impressive mass lobbying campaign. According to the FNPR, in the week before the planned Duma hearing, its member organizations convened more than 100,000 meetings to discuss the draft Labour Code, 'mass actions' took place in 63 regions, and 90,000 letters and appeals were sent, signed by eight million people, with an average of 200 letters being sent to each Duma deputy (for more details, see Ashwin and Clarke 2003: 65–6). In the face of such concerted opposition, at the last minute the government shied away from confrontation. The Duma's hearing of the government draft was postponed to allow a conciliation commission to come up with a new draft. This led to the development of a compromise proposal, which was signed into law on 30 December 2001. The compromise Code represented a significant improvement on the government draft, retaining many of the protective and regulatory features of its Soviet predecessor, and actually advancing the position of workers in some respects (for example, prescribing the payment of interest on unpaid wages, and allowing workers to stop work, without pay, after a wage delay of over 15 days). Crucially, from the perspective of the FNPR, its regulation of strikes and collective bargaining weakened the alternative unions, by stipulating conditions only likely to be fulfilled by FNPR-affiliates (for more details, see Bronstein 2005).

The struggle over the Labour Code reveals that Putin's concern for social order trumps economic liberalism. It also shows that, despite the unions' limited capacity for mobilization, the government is wary of outright confrontation. As for the FNPR, it was forced into action because the initial liberal version of the Code would have seriously undermined its institutional position. But even on this issue it was cautious, putting more effort into

letter-writing and lobbying than organizing demonstrations, for fear that these would fall flat (Ashwin and Clarke 2003: 66). Faced with mass violations of workers' rights, it has been even more risk-averse.

A key difference in the state's approach to employment relations after 2000 lies in its attitude to industrial conflict. The Putin regime is less able to ignore protest than was the Yeltsin government. This is partly due to the strength of the security services within the government, whose members, Putin included, have a deeply ingrained aversion to open dissent. But the government is also constrained by public opinion. The restoration of order is seen as a key Putinite achievement, while Putin's 'strength' has been a valued attribute. The regime has therefore edged back towards Soviet methods of containing industrial conflict. Low-level repression is routinely used: it is difficult to get permission to protest; legal strikes are virtually impossible to organize; organizations capable of mobilizing protest are subject to police harassment and intimidation; protestors are liable to arrest and other forms of punishment. Meanwhile, as in the Soviet era, managers and regional leaders are keenly aware that allowing open conflict to develop on their watch will incur official displeasure. They therefore act to pre-empt protest wherever possible. When significant labour protest does occur, the regime can be forced into concessions, as was dramatically demonstrated during the Pikalevo dispute of May 2009, when the town's laid-off, unpaid workers blocked the Federal highway and demanded Putin's intervention, after domestic hot water supplies were cut off. Putin flew to the troubled town, denouncing enterprise bosses (one of whom was Oleg Deripaska, a Russian billionaire industrialist) as 'cockroaches' in a nationally televised meeting and forcing them into a settlement.

Unions could have made use of the President's conflict-aversion, had not it also prompted an intensification of the pressure on unions to demonstrate their 'loyalty'. Early on in his period in office Putin indicated that he had the ability to undermine the unions when, in the run-up to the 2001 FNPR Congress, the presidential administration sponsored initiatives to undermine the FNPR and remove Mikhail Shmakov, its leader since 1993 (for details, see Ashwin and Clarke 2003: 68–71). Since then, the unions have been regularly reminded of their dependence on the government, with any perceived slight quickly reprimanded.

#### *Trade unions and collective bargaining*

The unions responded with alacrity to the changes of the Gorbachev era. The Soviet trade union centre, the VTsSPS, asserted its independence from the Party as early as 1987, and was later replaced by a new General Confederation of Trade Unions (VKP) in October 1990, in which the organizations of what were still the republics of the Soviet Union, and the branch trade unions, had a greater degree of autonomy. From the spring of 1990, branch unions – organized on an industry basis, with all the workers (and managers) in a particular industry belonging to the same union – began to establish republican organizations. At this time the Russian confederation, the FNPR, was established, again asserting its independence of the Party and state, but also fighting for greater independence from the VKP. The Russian branch trade unions initiated similar name changes and declarations of reform. The FNPR remains the main union confederation in Russia, and in institutional terms has negotiated the choppy waters of reform very effectively. It has kept most of its assets, many of its institutional privileges, and a significant proportion of its membership.

As in all countries of the former Soviet bloc, independent trade unions opposed to the former Soviet trade unions emerged during the early reform era. In Russia, this movement was led by the miners, with the establishment of an Independent Miners' Union (NPG) in

1990. However, the 1991 miners' strike, which looked like a promising beginning, instead turned out to be the high point in the influence of the independent workers' movement. Independent trade unions found it very difficult to expand beyond their small base in mining and transport. Independent trade unions have had some notable local successes, and are generally far less equivocal in their defence of workers than their FNPR-affiliated counterparts. Nevertheless, their membership remains scattered and small; by 2000, new independent trade unions represented at the very most 5 per cent of union members (ibid.: 1).

Before analyzing the formal position of the unions with regard to indicators such as density and collective bargaining coverage, a note of caution is required. It is well known that such indicators do not adequately capture union strength (see Frege and Kelly, Chapter 2 in this volume). This is certainly the case in Russia, where relatively 'strong' indicators by international standards do not convey the weakness of the union movement. The key reason for this is the unions' inability to escape their Soviet-era dependence on the state and management. As will be discussed in the theoretical section on actor-based theories, the unions' freedom of action was tightly circumscribed by inherited structural constraints (Ashwin 1999). Even the most determined attempt to develop an independent position based on the ability to mobilize union members would have faced doubtful prospects. In the event, however, the FNPR eschewed such risky strategies. Instead, at every level, the unions generally confined themselves to their accustomed soviet role as mediators rather than as workers' representatives (Ashwin and Clarke 2003). This secured their institutional survival, but did little to develop their effectiveness as defenders of their members' rights.

On the eve of reform, the FNPR organized approximately 99 per cent of the Russian labour force. Since then, their membership has fallen steadily, and this decline shows little sign of halting. While at the end of the 1990s, trade union density still looked high by international standards at 54 per cent (ibid.: 86), continued decline during the 2000s means that the FNPR now represents only approximately a quarter of the employed population (see Table 16.1). In relation to these figures, one specificity of Russian trade union membership should be noted. FNPR unions have substantial membership among students in professional and vocational institutions and among pensioners who either do not pay dues or pay at a reduced rate. In 2010, for example, such members made up over 22 per cent of FNPR membership. We have therefore calculated density using the figures for employed members only.

Table 16.1 Russian trade union membership, 2002–2010

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Employed population (thousands)	66,266	67,152	67,134	68,603	69,157	70,813	70,965	69,258	69,803
Trade union membership including students and pensioners (thousands)	36,200	31,800	30,500	28,600	27,800	27,100	25,800	24,700	24,200
Trade union membership employees (thousands)	28,960	25,440	25,071	22,800	21,900	21,700	20,600	19,500	18,800
Density (%)	43.7	37.8	37.3	33.2	31.6	30.6	29.0	28.1	26.9

Sources: Authors' own calculations, using FNPR figures on union membership and Rosstat employment data. Rosstat data, table available at: [http://www.gks.ru/bgd/regl/b11\\_36/issWWW.exe/Stg/d1/03-10.htm](http://www.gks.ru/bgd/regl/b11_36/issWWW.exe/Stg/d1/03-10.htm).



In formal terms, collective bargaining coverage is quite high, with many workers covered by more than one agreement. In 2011, there were 60 branch tariff agreements in operation, covering more than 46 million workers, approximately 62 per cent of the employed population. Meanwhile, 27.9 million employees were covered by enterprise collective agreements, just under 40 per cent of the employed population (although the Ministry of Health and Social Development, into which the Ministry of Labour is now subsumed, cites this as 63 per cent of employees 'in real sectors of the economy', which appears to exclude trade and services).<sup>4</sup> However, this respectable level of coverage has only a marginal impact on wages and conditions. Simon Clarke found that neither trade union membership, nor the presence of the trade union at an enterprise, nor a collective agreement had a statistically significant influence on wage variation in Russia (2002: 641–2). Given the character of the agreements discussed above, this is not surprising.

While union weakness is related to the specificities of the Soviet heritage, the reasons for the decline in membership are similar to those in other industrialized countries. Trade union membership is known to fall during periods of economic contraction – and Russia has endured nearly a decade of precipitous decline. Compositional changes have also worked against the unions. As in many other countries, employment in traditional union heartlands has declined, while new areas of employment have generally proved less conducive to union organizing. Thus, the proportion of Russian workers in industrial employment has almost halved during the post-Soviet era. Between 1992 and 1999, employment in what the state statistical agency then referred to as 'industry' declined from 29.6 per cent of the employed population to 22.2 per cent (Goskomstat 2000: 79). This trend continued between 2000 and 2009, with employment in what is now referred to as 'manufacturing' declining from 19.1 per cent to 15.4 per cent of the employed population.<sup>5</sup> Meanwhile, the area that enjoyed the largest rise in its share of employment was the new category of 'wholesale and retail trade, repair of motor vehicles, motorcycles, household goods and personal items' which increased from 13.7 per cent of total employment in 2000 to 17.8 per cent in 2009, overtaking manufacturing to become the largest category of employment.<sup>6</sup> Employment in this grouping is typically in small and medium-sized enterprises, where the FNPR acknowledges its organizing campaigns have made little headway (FNPR 2010: 4). This is not surprising, since even the most effective union movements have difficulty organizing in such environments. The FNPR attributes the recent decline to the impact of the 2008 economic crisis, as well as the ongoing enterprise restructuring and the spread of atypical forms of employment (ibid.: 4). In the light of international experience this seems a plausible explanation.

The FNPR's institutional embeddedness in enterprises established during the Soviet era has helped it retain members (Kozina 2009a: 25–6). At the same time, its links to the past may be an inhibiting factor in organizing new establishments. Opinion polls generally find very low levels of trust in trade unions. Only 4 per cent of respondents in a 2011 Gallup poll expressed their trust in trade unions, up from 3 per cent in 2004. However, it should be stressed that most public institutions, such as the media, local authorities and political parties received similar results, with only the President securing respectable trust levels (20 per cent in 2011, down from 59 per cent in 2004).<sup>7</sup> The dilemmas faced by the FNPR in preserving its influence and institutional position are discussed in the section on actor-related theories.

As it declines, trade union membership is feminizing: women comprised 59.8 per cent of total union membership in 2010, up from 59.2 per cent in 2009. Meanwhile, women dominate in leadership positions near the bottom of the union hierarchy, with 76.8 per cent of primary trade union organizations led by women. This proportion steeply declines further up the union hierarchy, however, with only 6.8 per cent of national or inter-regional unions led

by women (FNPR 2010: 4–5). Unfortunately, women's strong representation as leaders of primary organizations has rather negative connotations. Analysis of the processes through which jobs are gendered in Russia (Kozina and Zhidkova 2006) suggests that it probably reflects the low status of the unions, as well as the conception of the trade union officer as a form of 'social worker' rather than a negotiator or representative.

### Employers and employers associations

In the Soviet era, the state was the only employer. Privatization created a class of private employers, who united to form employers associations relatively quickly. However, developing 'governability' (Traxler 1995) – the ability to represent members and ensure their compliance with agreements – has proved to be more difficult.

Given the complex multi-level system of social partnership, employers organizations have been required to negotiate at various levels. Initially, the government and trade unions filled in for the missing employers organizations. Thus, the employer representatives in the first Tripartite Commission (RTK) were primarily representatives of ministries and quasi-ministerial bodies, using their position to press their branch interests on the government, and a number of self-styled employer representatives, mostly claiming to represent entrepreneurs and small businesses, who were selected by government patronage (Ashwin and Clarke 2003: 145). Likewise, during the 1990s, the vast majority of tariff agreements were bipartite, involving the government and the trade union, with only about one-fifth being signed by private employers' representatives in 2001 (ibid.: 148–9). At regional level, there was a patchwork of representation, with the regional administration and trade unions playing an important role in pushing employers to organize (ibid.: 154–7).

Since then employers' organizations have continued to consolidate. At national level employers are represented by the Russian Union of Industrialists and Entrepreneurs (RSPP), which unites 356 organizations, including over 100 regional and inter-branch organizations. The organization represents all the key sectors of the economy, with the enterprises included in the organization producing over 60 per cent of Russian GDP.<sup>8</sup> All the members of the employers' side on the RTK are drawn from this organization. RSPP was originally established in 1991 as a producers' rather than an employers' organization. Indeed, it initially allied itself with the unions against the government's reform programme. The (then) president of the FNPR, Igor Klochkov, explained this arrangement in terms of the need to preserve Russian industry, noting in an interview with a French newspaper:

I admit that it is a bit strange to see the unions and the employers forming a common front . . . Today what is primary is the survival of our production. We have therefore concluded a pact with the employers.

(*Le Figaro*, 27 January 1993)

In the 1995 Duma election, the FNPR joined with RSPP to establish the social-political organization Trade Unions and Industrialists of Russia – Union of Labour. The organization made little headway, gaining only 1.59 per cent of the party list vote, well below the threshold to gain Duma representation (Ashwin and Clarke 2003: 49). Nevertheless, its very existence is indicative of the political orientation of employers in the early reform period.

This alliance between trade unions and employers extended to the enterprise level (Ilyin 1996a: 68–9). The Soviet ideal of the enterprise as a united 'labour collective' led by a paternalist director persisted into the 1990s (Ashwin 1999). This was not entirely fictitious. The

survival of enterprises in this era depended not on the efficient use of labour to produce a profit, but rather on the external connections of senior managers to government officials and other enterprises, which were the key to providing access to materials, markets and financial support (King 2002; Clarke 2007: 55). Thus, workers and managers shared an interest in securing the survival of enterprises, which was notoriously expressed in 'directors' strikes', in which management supported strikes aimed at securing funds from the political authorities. This does not mean that Russian employment relations were a picture of harmony. As has been noted, non-payment of wages reached mass proportions during the 1990s. This was mainly due to the liquidity crisis which starved enterprises of cash, but there is no doubt that endemic non-payment also allowed opportunism to flourish. Some employers did not pay their workers simply because they could get away with not doing so (Earle and Sabrianova 2002). Nevertheless, the main line of conflict remained between 'producers' and the government.

How far do these arguments apply to the 2000s? After the 1998 crash, the Russian economy did begin to grow as a result of devaluation of the currency, and the increase in world fuel and metal prices. The weakening of the banks after the crisis also led to a reorientation of domestic investment into production. Holding companies began to acquire industrial enterprises on a large scale, and for the first time began to invest in the hope of securing a profit from production (Clarke 2007: 62–3). However, before the 2008 financial crisis, the process of transforming enterprises into productive capital was still in its early stages. While senior management had been transformed, personnel and production management largely continued along Soviet lines (*ibid.*). In most large privatized enterprises inherited from the Soviet era, line management continue to see their role as delivering the production plan laid down by senior management, rather than optimizing efficiency, and they have retained the autonomy to organize work as they see fit. As in the Soviet era, they have continued to represent workers within the management hierarchy, arguing that adequate remuneration and working conditions are required for workers to meet their targets. But this approach to line management is coming under pressure (see *ibid.*: 189–226). In the minority of enterprises where line management has been fully subordinated to senior management, it has led to more conflictual employment relations, the paradigmatic example of which is the Ford plant in Leningrad Oblast, where a radical trade union has emerged, fighting for improved terms and conditions (Ilyin 2006).

The state–business relationship has changed in the 2000s, with employers' freedom of action being sharply curtailed (Hanson and Teague 2005). The importance of business 'loyalty' to government was underlined by the arrest of former Yukos oil company director, Mikhail Khodorkovsky, in 2003 after he signalled his intention of entering politics. Khodorkovsky's incarceration sent a clear message that political activity on the part of business would not be tolerated. Meanwhile, the Kremlin has been exerting increased control over what it sees as strategic industries by appointing trusted state officials to positions of authority on their boards (Hanson and Teague 2007). Employers still have the autonomy to direct their own personnel policies, with the proviso in the case of large employers that their action should not provoke worker protest. More generally, the regime's concern for order means that large employers are somewhat more cautious regarding violations of labour law such as non-payment than in the 1990s.

At central and regional levels, the employers have continued to participate in tripartite dialogue. The RSPP website includes a statement of support for social partnership, the development of which is listed as one of the organization's goals.<sup>9</sup> Nevertheless, the development of employers' representation is still incomplete, with many branch tariff

agreements still concluded with the government rather than with the employers. This reflects the fact that employer involvement in social partnership is motivated by political conformity, rather than by the need to form a common negotiating position against a powerful union movement.

### Employment relations outcomes and processes

Russia's structural adjustment programme was socially catastrophic. The social impact of reform was most visible in mortality rates – particularly among working-age men. One estimate places the number of premature deaths caused by the shock therapy of 1990–98 as high as 3.4 million (Rosefelde 2001). Male life expectancy plummeted in the reform era, declining from 64.2 years in 1989 (Goskomstat 2002: 105), to a low of 57.5 years in 1994. It then recovered to 61.3 in 1998, only to fall back to 58.4 in 2002 (Goskomstat 2003: 117). In contrast, female life expectancy showed less variability, declining from 74.4 in 1989 (Goskomstat 2002: 105) to a nadir of 71.1 in 1994, followed by a stabilization at over 72 between 1996–2002 (Goskomstat 2003: 117). Researchers searching for the causes of this catastrophe have cited the 'state of confusion, uncertainty and calamity' experienced by Russians in the face of 'dramatic changes in the labor market' – in short, severe social stress (Shkolnikov *et al.* 1998: 2008–9). A recent study in *The Lancet*, arguing that rapid mass privatization programmes in the former Eastern bloc were associated with a short-term increase in mortality rates of working-age men, also showed that social capital (as measured by the proportion of the population who belonged to at least one social organization) significantly reduced this association (Stuckler *et al.* 2009). In Russia, neither economic policy nor its impact was ameliorated by 'social capital'. The lack of collective agency is well captured by the words of one cabinet minister of the early Yeltsin era, who remarked that Russians reacted to reform by 'going into their homes and dying' (Standing 1996: 250).<sup>10</sup>

Correspondingly, underneath the civilized veneer of social partnership, employment relations in the 1990s were chaotic. Workers developed survival strategies on the basis of their networks, both within enterprises where they sought the protection of managerial patrons, and outside, where they developed diverse means of securing a livelihood. Only in extreme desperation – typically after wage delays of several months – were workers pushed into collective action. Such action was generally not supported by the FNPR unions, and was dealt with on an ad hoc basis by government. It thus left little organizational legacy, and did not prevent the problems recurring.

In the 2000s, non-payment of wages – the source of most conflict in the 1990s – has become far less widespread, both as a result of economic growth, and the government's emphasis on restoring social order. When violations of workers' rights occur, the FNPR unions' approach to dealing with them is similar to the 1990s, and indeed to the Soviet era. They continue to eschew collective conflict, preferring to defend workers through the courts. Amid the mass non-payment of wages in the 1990s, this method proved wholly inadequate, and served only to drag out disputes, sometimes over several years. Moreover, success in court by no means guaranteed the payment of wage debts (Ashwin 2004). In the 2000s, this approach is more successful and the unions win over 95 per cent of cases regarding wage delays. Rather than reflecting more effective union representation, this is related to the more manageable proportions of wage delays, combined with a shift in the position of the courts, which in the late 1990s became more receptive to hearing labour-related cases, with fewer delays and more favourable judgments (Ashwin and Clarke 2003: 192).

The unions' Soviet approach to employment relations was utterly inappropriate to the conditions of the 1990s, and did nothing to challenge the routine violation of labour law, and the stabilization programme which necessitated this. In the era of 'managed democracy', the FNPR tradition of defending workers through bureaucratic methods such as legal representation has been more successful. Just as in the Soviet era, the unions help retain some equilibrium in employment relations by providing a politically safe outlet for workers' grievances. Likewise, unions continue to represent workers through the formal channels of social partnership, in a way that recalls their role as a bureaucratic sponsor of workers within Soviet government bodies. But there are now whole swathes of the economy where the FNPR has no membership, so their stabilizing function is less potent than in the past. A similar issue can be seen in China, which has led the government there to support union-organizing campaigns (see Chapter 17). The FNPR has more autonomy than the All China Federation of Trade Unions (ACFTU), but it still remains dependent on the state, and on employers. Whatever the FNPR unions' successes in defending workers using conciliatory methods, such as appeal to the courts, the missing ingredient remains the ability to mobilize members. Without this, unions remain essentially supplicants, and are unlikely to attract new members.

### Theoretical perspectives

It is difficult to disentangle the influence of the forces which are the focus for the theories laid out in Chapter 2. The 'strategic' action of the state in attempting to create a market economy had a huge influence on Russian development. But at the same time, institutions 'bit back' – it proved much more difficult to slough off the past than the reformers had first envisaged. Meanwhile, the actions of unions and employers were shaped by the economic and institutional environment in which they found themselves.

To paraphrase Karl Marx:

[Employment relations actors] make their own history, but they do not make it just as they please; they do not make it under circumstances chosen by themselves, but under circumstances directly encountered, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brain of the living.

([1852] 1963: 1)

Pierre Bourdieu says something similar when he argues that action is always structured by what he calls the 'two states of the social' – 'history objectified in the form of structures and mechanisms' and 'history in bodies' (Bourdieu 2000: 150–1). Embodied history takes the form of dispositions 'schemes of perception, thought and action' (1990: 54), which are 'durable' and 'can outlive the economic and social conditions in which they were produced' (ibid.: 62). Having said this, the degree of constraint experienced by either individuals or collective actors is not equal. More powerful subjects typically have more latitude. Thus, in the Russian case, the state had a greater capacity for strategic action than did the unions. It was able to launch a historic economic and political transformation in 1991. But at the same time, its choice of reform strategy was certainly structured by particular historical circumstances: the collapse of the Soviet Union occurred at a time when neo-liberal ideology was dominant, and promoted by all the international financial institutions from which the Russian state sought to borrow money. Meanwhile, its reforms did not necessarily have the intended effects, as existing structures proved more resilient than anticipated.

### Market forces and the transformation of Russian employment relations

It would be misleading to see Russia's economic transformation as linked to exogenous market forces. Rather, market-making was a conscious political project launched by the governing elite, as was the strategy of rapid integration into the world economy by the removal of trade barriers. The Chinese case shows that a different path was theoretically possible, but, as already noted, the international political pressures on the Russian elite to choose a neo-liberal strategy were considerable.

In one sense, marketization had predictable consequences for the unions. As already noted, the reduction in industrial employment and growth of small business made union organizing more difficult, and fragmented labour as a collective subject. But the development of capitalism does not only have negative connotations in the Russian context. As discussed above, the fact that capitalism has still not fully penetrated the 'hidden abode' of production in post-Soviet enterprises, serves to preserve the paternalist relations of the past and inhibits independent workers' organization. In enterprises where the transition to capitalist production is more advanced, particularly those owned by multinational corporations, what Vladimir Ilyin (1996b) calls the 'leading social contradiction' shifts from that between the labour collective and external environment, to the 'internal' antagonism between workers and managers. Such workplaces provide the social basis for a new form of employment relations, and a different political orientation.

The outcome of this can be seen in the wave of industrial action which occurred between 2006–08 in the most prosperous sectors such as fuel and energy and companies with foreign owners (Chetvermina 2009: 426; Germanov 2009: 112–13). In contrast to the disputes of the 1990s, which overwhelmingly concerned non-payment of wages, these strikes were 'pro-cyclical', the result of rising expectations in a growing economy (Greene and Robertson 2010). Workers' demands were typically for higher wages and improved conditions (Kozina 2009b: 28–30). Their rhetoric also shifted away from the traditional emphasis on the common interests of the labour collective towards a class-based framework. As the leader of the influential Ford trade union put it: 'It's naked Marxism, capital against the workers, that's all' (Kozina 2009b: 30). The disputes sometimes led to the establishment of alternative trade unions (Chetvermina 2009: 427), suggesting that capitalist development could create the conditions for the emergence of a transformed union movement (Ashwin 1999: 182; Greene and Robertson 2010).

A similar development has occurred in Poland in the 2000s with the 'budding emergence' of what David Ost, following Beverly Silver, calls a 'Marx-type labor movement' – that is, 'a forward-looking labor movement trying to make gains, instead of simply resist decline' (2009: 27). In neither Russia nor Poland is this a dominant tendency, but it nonetheless reveals the paradoxical potential of marketization to reinvigorate labour movements in post-socialist environments. As the principle of profit-making enters the sphere of production, the social basis of enterprise paternalism is destroyed. This creates at least the possibility of a new class identity, a renewed labour movement and interest-based politics.

### Institutions

It is hard to place Russia within a classic 'Varieties of Capitalism' framework (Hanson and Teague 2007; King 2007). Russia's emergent capitalist system has spawned a variety of definitions including 'merchant capitalism' (Burawoy and Krotov 1992), 'patrimonial post-communist capitalism' (King 2007), and 'Weberian political capitalism' (Hanson and

Teague 2007), terms that are discussed below. While Russia's attempted transition to capitalism highlights the limits of the traditional 'varieties of capitalism' approach in relation to emergent economies, it nevertheless strongly reinforces the case that 'institutions matter'.

The Russian state has attempted radical transformation on several occasions, but it has proved hard to escape the dead hand of the past. Lenin with his notorious 'revolutionary impatience' launched a revolution in a peasant country with a tiny proletariat, determined to transform the country by sheer force of will. This, as is well known, led to a police state rather than a communist utopia. Likewise, neo-liberal reformers attempted to transfigure the country at breakneck speed. While Lenin put his faith in the wisdom of the vanguard Party, the neo-liberals trusted to the omnipotence of the market. Both were frustrated by the resilience of existing institutions and practices.

In the 1990s, the reformers' haste meant that the task of building alternatives to the (informal) institutions of the past was not taken seriously. They failed to establish the basic institutional prerequisites of a functioning market economy (Stiglitz 2002: 139). 'Shock therapy' began in the absence of an appropriate social safety net, banking laws and anti-monopoly regulation, to name some of the most glaring omissions. Most importantly, although Russia was supposedly a democracy, little emphasis was placed on the establishment of the rule of law, with the implementation of economic reform encouraging rather than inhibiting lawlessness.<sup>11</sup> Quite apart from the social consequences, this arguably established the preconditions for the end of the democratic experiment of the 1990s, as Russians opted for authoritarian government in preference to the Hobbesian 'war of all against all' which began to take hold in the Yeltsin era.

The content of the reform programme likewise undermined its supposed purpose. The stabilization programme meant that industry was deprived of the funds needed for restructuring. Instead, managers used personal ties in the quest for survival, seeking resources from government, and barter relations with other firms. Meanwhile, the descent into barter deprived the government of tax revenue, leading to a dramatic erosion of state capacity (King 2007: 321). The state became 'riddled' with patron-client ties between government and business and 'market success came to depend on arbitrary political decisions and the exercise of private force' (ibid.: 321). Even the 'winners' in this system do not have secure property rights and are vulnerable to expropriation if their patron loses power. Thus, the most basic elements of a functioning market economy – the right to private property and market rather than administrative allocation of resources – have not been secured by Russia's radical economic reform. Instead, the politicized resource allocation of the past prevails, with many of the networks through which resources flow inherited from the Soviet era. Thus, the prospects for continued capitalist development discussed in the previous section remain uncertain.

It is thus evident why researchers have turned to Weber's concept of 'political capitalism' to conceptualize Russia's variety of capitalism. Hanson and Teague's understanding draws on one aspect of Weber's characterization of political capitalism: the salience of 'predatory profits from persons connected with politics' (Weber 1978: 164). Correspondingly, Hanson and Teague place particular emphasis on the state's determination to control the 'commanding heights' of the Russian economy through the appointment of trusted state officials to their boards. King also uses a Weberian framework, but understands 'patrimonial post-communist capitalism' as a product of the 'decomposition of the bureaucratic (in the Weberian sense of the term) nature of the state' (2007: 307). In this respect he is close to Ganey, who again contends that Russia exhibits Weberian 'political capitalism'. Ganey argues that this entails not simply state predation on the private sphere à la Hanson and Teague, but 'a massive

hemorrhage [sic] of institutional capacity' (Ganey 2009: 658) as civil servants abandon themselves to private gain: 'an important trait of political capitalism is that the civil service behaves as an uncoordinated multitude of self-interested agents pursuing immediate financial gratification' (ibid.: 656). These competing definitions capture an important paradox in relation to the Russian state. On the evidence provided in Hanson and Teague's contribution, the state appears strong, overweening, predatory – able to expropriate property and imprison opponents at will. But on the other hand, the fragile unity of the elite is only sustained by allowing its members opportunities for vast private gain, which comes at the cost of gradual evisceration of the state services and businesses from which the money is stolen. This is the degeneration of the bureaucratic state emphasized by King and Ganey.

The Russian case highlights the limits of the traditional varieties of capitalism approach in relation to emergent economies. But it also strongly reinforces the case that 'institutions matter'. The destruction of the formal institutions of the Soviet state was not accompanied by a concerted attempt to develop the institutional prerequisites of a market-oriented democracy, such as the rule of law. The magic of the market was supposed to sweep away the remnants of the past. Instead, the stabilization and privatization programmes created the conditions in which the clientelist networks and politicized allocation mechanisms of the past were re-vivified. This has taken Russia down what increasingly looks like a developmental cul-de-sac.

#### Actors' strategic choices

As has been seen, the state had a seemingly huge capacity for agency, but was unable to remodel Russia in the way it intended. Meanwhile, business leaders can be seen as co-creators of political or patrimonial capitalism, from which they benefit, but also suffer. This section, however, focuses on the unions. The FNPR unions proved unable to escape their accustomed dependence, and under Putin are increasingly subordinate. Was it possible for the unions to avoid this, or were the structural constraints too strong? This question is important, because, according to King (2002), the weakness of the labour movement is one of the factors which allowed the development of patrimonial capitalism. He argues that the relaxation in the stabilization programme secured by labour in Poland played a significant role in allowing the country to escape the patrimonial trap. Weak labour in Russia was unable to offer this 'beneficial constraint'. Within a different analytical framework, Stiglitz (2002) has made a similar point, arguing that structural adjustment has been an economic failure in most places it has been introduced precisely because of the lack of popular control and input into the reform plans.

The unions' inherited dependence on management and the political authorities defined the limits within which they made policy. At enterprise level, lacking the support of members in the immediate post-Soviet era, unions relied on management to tolerate their existence. They therefore continued to play a non-conflictual, and non-representational, role as mediators, and administrators of the social sphere (Ashwin and Clarke 2003; Ashwin 2004). Attempts to secure members' trust through active defence of their interests risked undermining unions' status and presence within enterprises, for uncertain gain. Unions' equivocal position was mirrored by workers, who tended to perceive the labour collective as having shared interests. But even when management was clearly not acting in the interests of the 'collective', and workers themselves had initiated a collective labour dispute with management, FNPR enterprise unions often refused to side with their members against management, much less lead them (Ashwin 2004). Disputes with management tended only to occur when there was

conflict within the management team, and the union supported the opposition faction (Ashwin and Clarke 2003: 256).

At a central level, the FNPR was similarly constrained. Lacking an independent base which could be mobilized around its campaigns, the union had little bargaining power in relation to the state or regional authorities. Its strength lay in the inherited institutional infrastructure and resources from the past, but the government was quick to indicate that these could be removed from the unions at a stroke of the presidential pen. That this was no idle threat was demonstrated on the only occasion that the union openly sided with the opposition against the government. This was during Yeltsin's confrontation with the Congress of People's Deputies in autumn 1993, when the union called on workers to use all available means, including strikes, to protest against Yeltsin's anti-constitutional actions (ibid.: 41). The government responded to the unions' 'disloyalty' by freezing the FNPR bank accounts, cutting off their telephones, banning the check-off of union dues, and depriving them of their control of the state social insurance fund, and responsibility for the health and safety inspection (ibid.: 41–2). This underlined the dangers of an oppositional stance – whatever the potential long-term gains, the short-term risk was institutional annihilation.

The union learned this lesson well, and from 1993 adhered to the policy of 'social partnership',<sup>12</sup> which entailed collaboration with managerial and government interlocutors at all levels. In effect, the unions secured a defined institutional position and role, and in return were expected to act as guarantors of social peace. They could not stop spontaneous strikes or protests occurring, but they could refrain from leading and coordinating these – a role which after 1993 they performed consistently. Thus, sporadic protest was not amplified or built upon by the FNPR, and rarely posed a significant political challenge. The unions' caution has only been strengthened in the Putin era. In this context, 'framing' workers' grievances in ways that served to generalize them, or direct them against government policy, would be very risky. The unions have adapted to this environment, and are careful to ensure that their opposition to specific measures stays within the bounds of 'loyalty'.

Given the apparent weakness of the unions, the state's willingness to sponsor social partnership may appear to constitute 'over-payment' for the unions' forbearance. But the context needs to be taken into account. The reform programme of the 1990s made no concessions to social stress, and did, as we have seen, provoke sporadic spontaneous protests. The only bodies with the requisite membership and institutional capacity to 'frame' and generalize such action were the trade unions – and the government was not prepared to take the risk of leaving them a free hand to do so (Bychkova 2011). Meanwhile, in the Putin era, the dominance of the security services increased the caution of the government. Former KGB officers have a tendency to regard dissent as an inadmissible failure of government control rather than as a normal attribute of democratic politics. A good example is the authorities' over-reaction to the 'punk prayer' performed by the feminist collective Pussy Riot in Moscow's Cathedral of Christ the Saviour in February 2012, in protest against the Russian Orthodox Church's support for Putin's re-election. The Russian government's allergy to protest is almost certainly counterproductive, but it is deeply ingrained, and has to be taken seriously by social organizations.

It is unclear whether the FNPR unions could have charted a more independent course. As noted above, to do so would certainly have entailed significant risks. And the dispositions of trade union officers did not incline them to take such chances. The vast majority had been schooled in the art of bureaucratic politics; mobilization and conflict were alien concepts. Interviews with trade union officers have repeatedly shown that industrial harmony was perceived as the norm, while deviations from this were blamed on the failings of individual

managers (Ashwin 1999; Ashwin and Clarke 2003). For many, a conflictual campaigning stance would have been literally 'unthinkable'. This is not to say that union movements are always so constrained. Unions' freedom of action depends on the institutional and market environment in which they find themselves. Some situations offer more room for creativity than others. The Russian environment was particularly non-conducive to the development of an effective union movement.

### Future prospects

In the majority of large privatized enterprises, employment relations still retain many features of the Soviet past such as representation by line management, and individualized resolution of grievances using the law. However, where capitalist relations have reached the shop-floor, this has begun to change. In some cases, this has led to the emergence of a new breed of trade unions fighting for improved terms and conditions. Of course, the establishment of unions does not follow automatically from the spread of capitalist relations, but these do at least provide the structural basis for the emergence of a new form of unionism.

The continued restructuring of enterprises will depend in part on the action of the state. As has been noted, the state has moved to increase its control over the 'commanding heights' of industry. Meanwhile, we have argued that Putin's commitment to economic liberalism is balanced by a concern for social order. This may encourage the preservation of paternalist features in the industries where the state has an interest, which would in turn inhibit the emergence of new unionism. Whatever happens in large enterprises, they are likely to be surrounded by a sea of non-union labour in small and medium-sized enterprises, especially those established since 1991. There is little prospect of the unions remedying this in the near future.

If we compare Russia's attempted transition from state socialism with the authoritarian state-led programme in China, on the one hand, and the 'democratic' Polish experience, on the other, it is difficult to escape the conclusion that the Russian approach combined the worst of all worlds. As noted in Chapter 18, for all its faults, China's model of state-controlled marketization has secured 10 per cent average annual GDP growth for more than 30 years, and has lifted millions out of poverty. While China's economic reform programme was far from democratic, it was what Stiglitz has called a 'homegrown' programme, sensitive to local conditions (2002: 186). The Chinese Communist Party was forced to take some account of the social impact of its policies, because it still derived its legitimacy from its claim to represent the masses. At the same time, the institutions of the past, in particular the Party bureaucracy, were retained and adapted to new conditions. As Stiglitz put it: 'China built the foundation of a new economy on existing institutions, maintaining and enhancing its social capital, while in Russia it eroded' (ibid.: 185). Thus, the Chinese authorities have preserved a modified version of the state socialist approach to employment relations entailing: state-sponsored trade unions, with some autonomy to press workers' concerns in their capacity as a facet of the state; an individualized labour dispute resolution system; state responsiveness to collective protests, combined with occasional repression, and some duty on managers of state-owned enterprises to balance economic objectives with the need to preserve industrial peace.

Such a model of employment relations would suit the increasingly authoritarian Putin regime, and indeed elements of it are in place. For example, we have noted that union complaints against employers in the courts have a high success rate, while the state is more fearful of, and hence more responsive to, labour protest than was the case in the 1990s. What

is missing is the administrative coherence necessary to promote sustainable economic development. For example, foreign investment is hampered by the lack of secure property rights and the rule of law, while the growth of small business is inhibited by predatory state officials. This is where the fruits of Russia's democratic deficit are evident. As has been noted, King argues forcefully that in countries such as Poland and Hungary where economic reformers were forced to modify the content of structural adjustment by democratic pressure, the patrimonial path was avoided, paving the way for a more benign pattern of development (2002, 2007). By contrast, unmodified structural adjustment in Russia preserved clientelist networks and destroyed state capacity, leading to the bureaucratic degeneration entailed in 'patrimonial' or 'political' capitalism.

In the 1990s, Russia's ruling elite was constrained neither by a concern for social order and state legitimacy (as in China), nor by civil society (as in Poland). It was therefore free to inflict another utopian experiment on Russian society, with the unhappy consequences outlined above. In the civic desert inherited from the Soviet era, the trade unions were the one body capable of organizing resistance to the economic reform programme, and they proved unable to do so. Contemplation of Russia's current predicament provides a salutary reminder of the crucial role that organized labour can play in democratization and embedding 'civilized' models of capitalism.

## Notes

- 1 The Gini coefficient increased from 0.26 in 1991 to 0.5 in 1993 (Clarke 1999: 120).
- 2 Polanyi's argument is that the 'disembedding' of the market from society that has occurred during periods in which free market ideology has dominated is socially unsustainable. In his view, 're-embedding' eventually occurs to prevent social implosion. Polanyi is, however, tantalizingly vague regarding the social forces which bring about the taming of the market (Polanyi [1944] 2001).
- 3 The Duma is the Russian legislature.
- 4 Figures from Ministry of Health and Social Development website. Available at: <http://www.minzdravsoc.ru/labour/relationship/76>.
- 5 Rosstat data, table. Available at: [http://www.gks.ru/bgd/regl/b11\\_36/IssWWW.exe/Stg/d1/03-10.htm](http://www.gks.ru/bgd/regl/b11_36/IssWWW.exe/Stg/d1/03-10.htm).
- 6 Ibid.
- 7 Romir Gallup International poll. Available at: [http://www.romir.ru/studies/259\\_131827680/](http://www.romir.ru/studies/259_131827680/).
- 8 RSPP website, available at: <http://xn--o1aabe.xn--plai/about>.
- 9 RSPP website, available at: <http://xn--o1aabe.xn--plai/about>.
- 10 Guy Standing does not name the minister, who made the comment during a discussion they had in 1993.
- 11 The most dramatic examples of this tendency were Yeltsin's military assault on the Russian parliament in 1993 because of its resistance to reform, and the routine use of non-payment of wages and financial institutions as necessary evils of the reform era.
- 12 For an account of this policy, see Ashwin and Clarke (2003: Chapter 6).

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## 17 India

Vidu Badigannavar

### Introduction

The growing interest in Indian employment relations has been primarily sparked by the economic reform programmes pursued by the Indian government since 1991 (Agarwala *et al.* 2004; D'Costa 2005; Papola *et al.* 2007; Ahsan and Pages 2009; Hill 2009; Budhwar and Bhatnagar 2009). These economic policies of liberalization, privatization and globalization marked a new beginning in the trajectory of the Indian economy which hitherto was typified as an inward-looking socialist-style economy, based on an import substitution strategy. Following the balance of payment crisis in 1991, the government of India embarked upon economic reforms which shifted the focus from import substitution to an export orientation (D'Costa 2005). This shift in economic policies has increased the country's GDP growth from a low 2–3 per cent per annum until the 1980s to an average of 8 per cent per year for a decade and half starting from the early 1990s (Panagariya 2008). It is argued that this change in economic policies has impacted employment relations, with trade unions in India now finding themselves increasingly excluded from the political process, affecting employment relations at both national and state levels (Kuruvilla and Erickson 2002). In this chapter, we shall first examine the historical evolution of employment relations in India, followed by the role of key stakeholders, namely, the state, trade unions and the employers. We then look at the salient employment relations outcomes in India and, finally, we shall attempt to explain the developments in Indian employment relations from various theoretical perspectives.

### The historical evolution of Indian employment relations

The employment relations framework in India evolved under British colonial rule (1858–1947). In 1859, the colonial government enacted the Workmen's Breach of Contract Act and in 1860 there followed the Employers and Workmen (Disputes) Act and the Indian Penal Code. The primary aim of these statutes was to curtail any uprising by agricultural workers and peasants and to criminalize any such attempts by workers. During this period the labour movement was gaining momentum and had become part of the Indian independence movement spearheaded by the Congress nationalists. The colonial rulers were equally concerned about the growing intervention of Communists in the labour movement and the politicization of industrial conflicts which also hindered the cheap supply of goods and raw materials that kept factories in Britain running (Myers 1958; Karnik 1967 and Murphy 1981, both cited in Shyam Sundar 2009a).

In 1926, the British rulers in India passed the Trade Union Act which aimed at legitimizing unions and offering them some immunity against civil and criminal liabilities. The

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