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Striking with tied hands: Strategies of labor interest representation in post-communist Romania and Ukraine

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Chapter 2: Labor in Romania and Ukraine. Two Approaches to Managing Worker Discontent

2.1. Romanian and Ukrainian Labor in Regional Perspective

Post-Communist Europe saw the biggest wave of industrial action at the beginning of transformation, in 1992-1994. Workers and trade unions organized strikes and demonstrations in all of post-communist Europe's four biggest countries, in Russia, Ukraine, Poland, and Romania, and also in the member states of the rapidly disintegrating Federal Republic of Yugoslavia. Yet only in Slovenia did the worker protests of the early 1990s lead to the inclusion of labor into the policy-making process around pro-market reforms. In other countries exclusion was the norm, happening either immediately in the protests' aftermath – most notably in Russia in 1993, or more gradually, such as in the case of Hungary, where labor's marginalization became evident once the Socialists came to power in 1994 only to continue their center-right-wing predecessors' policies. In most countries trade unions accepted such trends without much opposition. This happened partly because of the government's hostility to their influence (the case of Russia). Partly, it happened as trade unions chose to support pro-market governments, such as the 1994-1998 coalition of Socialists and Liberals in Hungary and the Solidarity-governments in Poland (1989-1993 and 1996-2000) – at the expense of grassroots demands stemming from the rank-and-file of the trade unions. Tóth (2001) and Ost (2005) tell the same story for Hungary and Poland, of unions powerful enough to organize mass protests at the start of transformation, but which later on lost their credibility among workers and therefore also the capacity to mobilize supporters because they chose to support government-initiated reforms rather than to give in to rank-and-file pressure. No longer able to mobilize workers, the unions would lose most of their bargaining power in relation to the government by the end of the transformation's first decade, and face political marginalization. The situation would change around the mid-2000s, when the increasingly strong populist right-wing would turn to courting trade unions in countries such as Poland and Slovakia (Meardi 2007), and Hungary (*Budapester Zeitung*, February 11, 2008). But this could not change that, generally speaking, throughout transformation's first 15 years the trade unions failed to have a say about the market reforms that affected so decisively the living standards and interests of their members.

Table 2.1 gives an overview of what transformation's first decade meant for several large post-communist countries in terms of several economic indicators: change in gross domestic product (GDP) relative to the year 1989, annual inflation, annual registered unemployment, and changes in real wages relative to the year 1989 (Source: UNICEF reports, various years).

Table 2.1: Transition indicators for selected post-communist countries

Real GDP development													Lowest level
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	
Ukraine	100	96.6	85.4	73.7	63.2	48.7	42.7	38.5	37.3	36.6	36.5	37.6	36.5
Russia	100	96	91.2	78	71.2	62.2	59.6	57.5	58	55.3	57.1	60.8	55.3
Romania	100	94.4	82.2	75	76.1	79.1	84.7	88	82.6	78.2	75.7	76.8	75
Poland	100	88.4	82.2	84.3	87.6	92.1	98.6	104.6	111.8	117.1	122	128	82.2
Hungary	100	96.5	85	82.4	81.9	84.3	85.5	86.6	90.6	95.1	99.3	105.3	81.9
Annual inflation rate													Average
Ukraine	n.a.	4.2	91	1210	4735	891	377	80	15.9	10.6	22.7	28	678.7
Russia	n.a.	5.3	92.7	1526	875	311.4	197.7	47.8	14.7	27.6	86.1	20.7	291.4
Romania	n.a.	5.1	161.1	210.4	256.1	136.7	32.3	38.8	154.8	59.1	45.8	45	104.1
Poland	n.a.	585.8	70.3	43	35.3	32.2	27.8	19.9	14.9	11.8	7.3	9.9	78
Hungary	n.a.	28.9	35	23	22.5	18.8	28.2	23.6	18.3	14.3	10.1	9.5	21.1
Annual registered unemployment rate													Average
Poland	n.a.	3.4	9.2	12.9	14.9	16.5	15.2	14.3	11.5	10	12	14	12
Romania	n.a.	n.a.	3	8.2	10.4	10.9	9.5	6.6	8.9	10.4	11.5	n.a.	8.8
Hungary	0.4	0.8	8.5	12.3	12.1	10.4	10.4	10.5	10.4	9.1	9.6	n.a.	8.6
Russia	n.a.	n.a.	0.1	0.8	1.1	2.2	3.2	3.4	2.8	2.6	1.7	1	2
Ukraine	n.a.	n.a.	n.a.	0.3	0.3	0.4	0.4	1.3	3	3.7	4.3	n.a.	1.7
Real wages development													Average during recession
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999		
Russia	100	109.1	102.4	68.9	69.1	63.7	45.9	52	54.5	47.2	38.2	n.a.	54.9
Ukraine	100	109.3	114.2	123.7	63.2	56.4	62.2	59.3	57.7	55.7	48.4	n.a.	57.6
Romania	100	105.2	88.9	77.3	64.4	64.6	72.7	79.8	62.3	61.1	62.3	n.a.	73.9
Poland	100	75.6	75.4	73.3	71.2	71.6	73.7	77.9	82.4	85.2	95.8	n.a.	78.2
Hungary	100	94.3	87.7	86.5	83.1	89.1	78.2	74.3	77.1	79.6	81	n.a.	84

One post-communist country where labor did protest over certain aspects of market reform was Romania, a country that witnessed much higher levels of protest than the post-communist average (see Crowley 2004: 404). This difference in mobilization could mean that trade unions in Romania found ways to mitigate structural difficulties of mobilizing, threatening, and breaking out of isolation. Thus trade unions in Romania contradict the expectation of the literature on Eastern European labor linking “labor weakness” to the trade unions’ failure to mobilize large numbers of workers (the thesis of communism’s “ideological legacy”). Trade unions did mobilize workers, or better said, Romanian trade unions were much less reluctant to give in to rank-and-file pressure and criticize pro-market reforms than their counterparts in other post-communist countries. Despite Romanian unions achieving mobilization, this did not automatically translate into more state openness to the idea of including trade unions in negotiations around reforms. At the end of the 1990s, the verdict was that Romanian trade unions had “won many battles, but lost the war” (Kideckel 2001), apparently facing the same prospects of marginalization as unions in the Central Eastern European countries. Two further studies, however, contradict Kideckel, arguing that “Romanian trade unions have affected the course of every government since 1989” (Bush 2004: 435), or that “no [political] party, singly or in coalition with others, has the political capacity to fully act against the mobilized and organized workers” (Keil/ Keil 2002: 28).

These latter two studies were inspired by the events of 1999, a year of exceptional anti-government mobilization, with the unions in mining, the metal sector (steel and machine-building), transportation, education, and health care, organizing an unprecedented wave of strikes and demonstrations (Martin/ Cristescu-Martin 2000). Following that year, unions became much more influential a presence in Romanian politics. After a change in government in late 2000 that saw the Social-Democrats return to power, the unions scored a number of successes, such as the 2003 Labor Code and the 2002 privatization laws obliging new owners to sign “social contracts” with unions. On the other hand, these were no easy times for the unions: what they won at the national level, they lost at the plant-level. Quite far from actually supporting the unions on ideological grounds, the Social-Democrats would push privatizations in the interest of Western investors at the cost of violent conflicts with the unions, ending in clashes between workers and riot police, particularly in the year 2003, when the country would eventually privatize some of its last remaining state-owned enterprises in the steel industry.

The figure below presents data for employee involvement in strikes, 1990-2007, for five Eastern European countries (Poland, Russia, Romania, Ukraine, Hungary), and one Western European one (the United Kingdom), included for comparison on the basis of also having trade unions with a de-centralized structure (Hyman 1994). The figure uses ILO data on the number of participants in strikes in all sectors of the economy, including the public one.

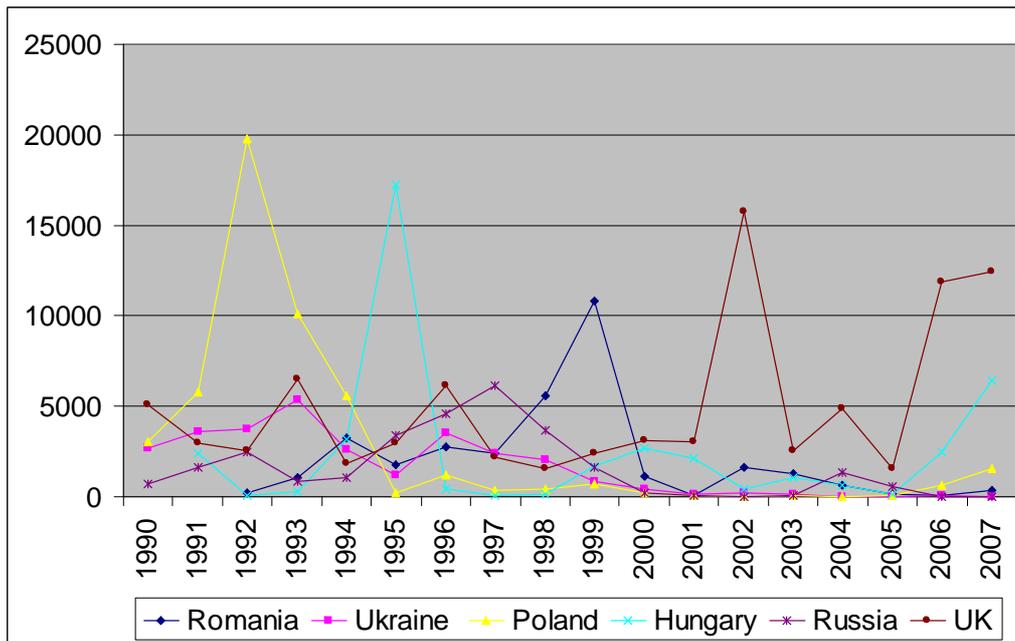


Figure 2.1: Workers participating in strikes, all sectors of economy, 1990-2007 (per one million country inhabitants)

Source: International Labor Organization, author's calculations based on data available in the Laborsta online database (laborsta.ilo.org, retrieved April 12, 2009).

I am using the measure of strike participation rather than number of strikes or duration, since it is the only variable the ILO provides data for since the fall of communism across a large number of countries including Ukraine (other measures do not include Ukraine). Sources using other strike measures (e.g. duration, Crowley 2004; Hans-Boeckler-Stiftung 2009) show that Romania has in fact seen much more industrial conflict during this time than any other country in the region. The difference to figure 1 is due to the fact that I only weighted the numbers of participants for country size, and not also for size of the manufacturing sector. With Romania's huge agriculture sector, comprising around 40% of the employed population in 2000 (only 27% in industry), Romania should be considered much more strike-prone than pictured in the graph above.

The strike data for Russia as presented in Figure 2.1 has to be handled with suspicion, ever since the reform of strike legislation in the early 2000s made it extremely difficult to register strikes. For instance, I counted that it takes at least 30 days in Russia to organize an official strike (going through the mandatory steps of conciliation, mediation, arbitration, and worker or trade union conference).²⁵ It is true that strike participation decreases for Russia already around 1997, but it could very well be that the changed Labor Code regulations make it difficult to establish whether Russia is currently witnessing a reversal of the trend of decreasing strike participation. What is more puzzling, however, is the data for Ukraine. Here too, strike participation decreases despite the country seeing a change in the Labor Code (similar to the one seen in Russia) only as late as 2008. I will later in this chapter interpret the data for Ukraine as reflecting a change in the stance of trade unions towards industrial conflict, trying to steer away as much as possible from using strikes in the resolution of episodes of contention with employers.

The ILO data is also subject to different approaches to operationalizing the notion of a strike, as the data comes from different national central statistics offices. For instance, the data on Poland is the

²⁵ For details on Russian labor legislation, see <http://www.ilo.org/public/english/dialogue/ifpdial/info/national/rus.htm> (retrieved 12.04.2009).

most inclusive, covering official and unofficial strikes, sit-ins, occupations, and warning strikes. Data for Hungary is similarly inclusive, covering both official strikes and unofficial ones. The data for Russia, Ukraine, and Romania is much more conservative, reporting only “official and constitutional strikes”.²⁶ Apparently, the term “official” does not refer to legally registered strikes, but only to those strikes that are also recognized by courts as legal. For instance, during fieldwork in Ukraine I came across three plants that had witnessed strikes in 2007, none of them “legal”, as the trade union either tried to marginalize strikers or refused to register the strike since following the official conflict resolution procedure (including the steps of conciliation, mediation, arbitration, and worker or trade union conference, giving the workers the right to strike “legally”) would cost protesters too much time. One strike that lasted for two weeks in February 2007 at the Ternopil’ combine-plant and received wide regional media coverage was registered with the authorities after the trade union had gone through all intermediary steps. Nevertheless, the strike was later declared to be illegal in court and therefore not included in the statistics either.²⁷

Figure 2.2 presents data for manufacturing, the part of the post-communist economies that has seen the earliest and deepest restructuring and privatization efforts. Since the ILO provides no data on strike participation for Russia, that country is not included here. The picture here is different, with more people participating in strikes in Romania than in any other country, at least starting from 1996. (Again I am weighting numbers only for country size, not also for the relative size of the manufacturing sector, which would further increase the difference between Romania and other countries.) The figure shows that the beginning of the 1990s brought a peak in labor militancy in Poland, and also in Ukraine and Hungary, with more people participating in strikes in these countries than in any year after that date. Romania, however, would see two more peaks in strike activity, one around 1999 and another one during the Social-Democrats’ last year in office, 2003-2004. This raises the following question: why did Romania see more industrial conflict during 1995-2005 than any other of the post-communist European countries? The easy answer that Romania came out much more slowly from the transformation recession than Poland and Hungary (Romania reached its 1989 GDP-level only in 2004) does not stand the test of comparison with Ukraine. Ukraine has not yet overcome the transformation recession (the GDP-level in 2010 is still below the 1989-level) but has seen a similar decrease in labor militancy as Poland and Hungary. Why was Romania so exceptional in this regard, and what is the story behind the numbers?

²⁶ For the corresponding reports on the strike operationalizations used, see the ILO webpages on Poland, <http://laborsta.ilo.org/applv8/data/SSM7/E/pl.html>, Hungary, <http://laborsta.ilo.org/applv8/data/SSM7/E/hu.html>, Russia, <http://laborsta.ilo.org/applv8/data/SSM7/E/ru.html>, Ukraine <http://laborsta.ilo.org/applv8/data/SSM7/E/ua.html>, Romania, <http://laborsta.ilo.org/applv8/data/SSM7/E/ro.html> (retrieved 12.04.2009).

²⁷ Statistics show only one strike in manufacturing in 2007, involving 277 workers, while at the three plants where I did fieldwork and that experienced strikes in 2007, the minimum number of participants was 600. See the ILO statistics webportal, <http://laborsta.ilo.org/> (retrieved 12.04.2009).

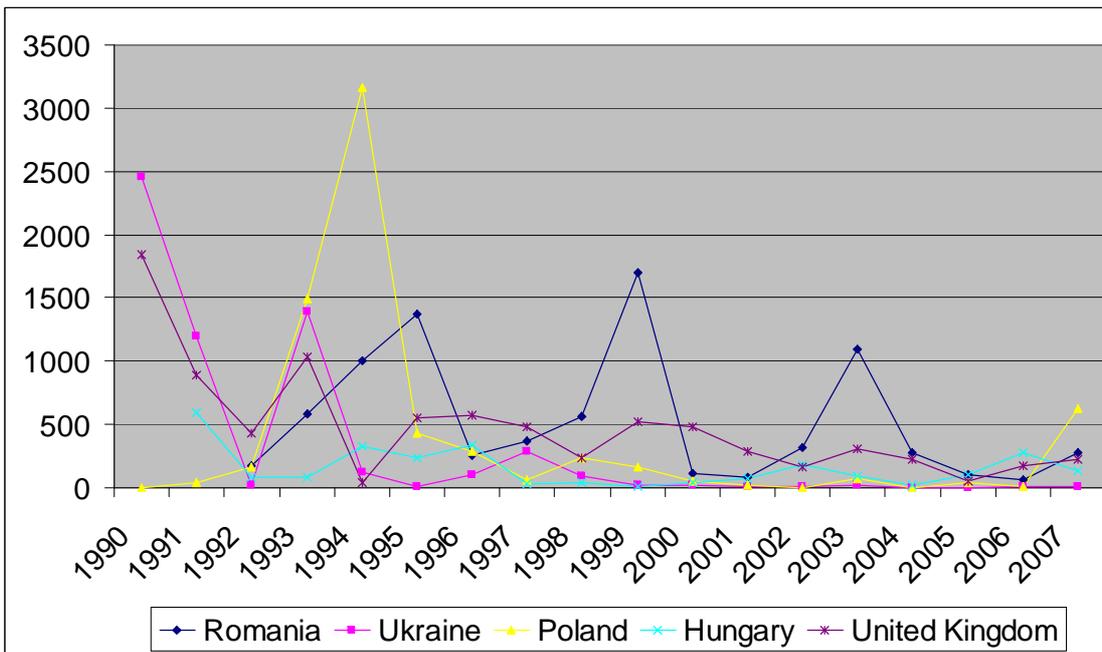


Figure 2.2: Workers participating in strikes, manufacturing only, 1990-2007 (per 1m country inhabitants)

Source: International Labor Organization, author's calculations based on data available in the Laborsta online database (laborsta.ilo.org, retrieved April 12, 2009).

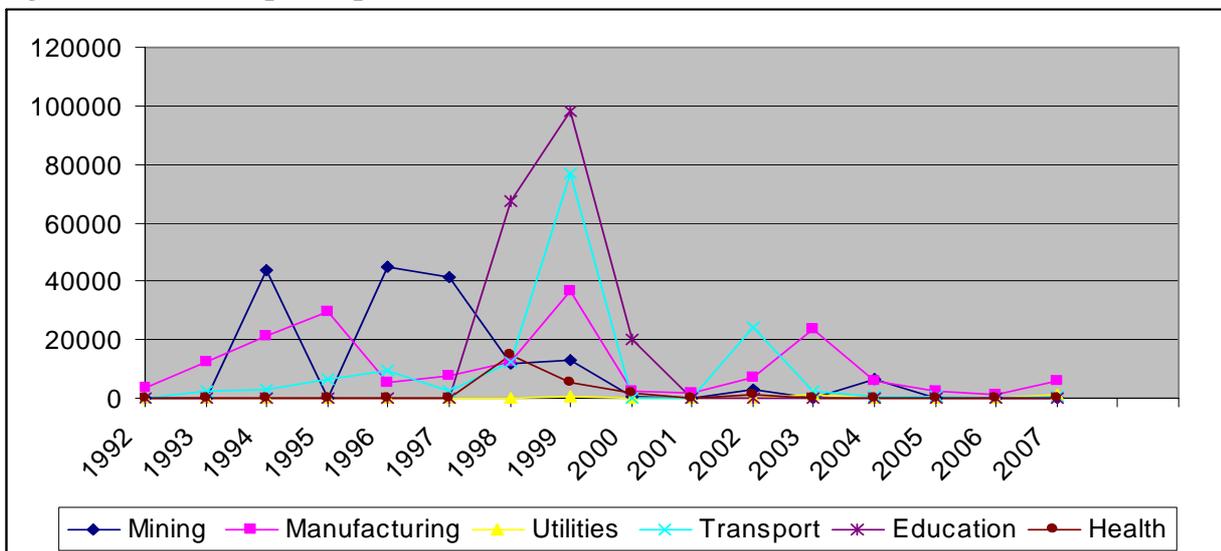
2.2. Managing Discontent in Romania

The Romanian trade union scene shares with Hungary the trait unique among post-communist countries of a trade union scene dominated by *several* large union confederations, rather than by one (as in Russia, Ukraine, Czech Republic) or two (Poland) national federations. Unlike Hungary, the Romanian trade union scene is not just divided between union confederations in the private economy and those dominating the public sector. There are two cleavages structuring also the union scene organizing industrial enterprises. First, there is a divide between unions in the mining and metal sectors, on the one hand, and unions in the oil- and chemical-industries, transport, and utilities (energy, water, gas), on the other hand (organized by the National Confederation of Free Trade Unions of Romania – Brotherhood, *Confederația Națională a Sindicatelor Libere din România-Frăția*, CNSLR-Frăția). Second, within the metal sector, the steel industry is organized by the Cartel Alfa confederation (also organizing a sizeable part of the miners, especially in coal- and iron-ore extraction), while machine-building is organized by the National Union Bloc (*Blocul Național Sindical*, BNS). Furthermore, copper miners and rubber-industry workers created a fifth national confederation, Meridian, that would later attract also textile- and public sector workers. Meridian also includes Romania's once most militant and conflict-prone trade union, the League of Jiu Valley Mining Unions, most famous for the 1999 clashes with police in their march on Bucharest, followed by the arrest and imprisonment of most of its leaders. The cleavages are rather rough; each of the country's biggest confederations (CNSLR- Frăția, Cartel Alfa, BNS, Meridian) is nowadays present in both the public and the private sector, although to varying degrees.

Around the end of the transformation's first decade, the oil- and chemical industry, utilities, and most of the public sector would be grouped in CNSLR-Frăția, while most extractive- and heavy

industry was organized by Cartel Alfa (plus miners in Meridian and machine-builders in BNS). This situation roughly coincided with the sizeable differences in restructuring between the different branches of the economy. Mining and heavy industry (steel, non-ferrous metallurgy, machine-building) were hit hardest by the transformation recession, seeing the biggest cuts in output and employment. The oil- and chemical industries and utilities (gas, water, energy), on the other hand, saw an increase of their output in comparison to 1990 (FES 2006: 10). Kideckel (2001) argued that due to these developments the interests of trade unionists were fundamentally different, and this prohibited the trade union confederations from acting together against the government. However, the data on strike participation shows something different: In 1999, the year when the country saw most industrial conflict, Romania witnessed a peak in both the total number of strikes (a figure dominated that year by strikes in the public sector, especially education) and in the number of strikes in manufacturing (Figure 2.3). It seems that at least that year trade unions could act together at least in the way of organizing industrial conflict at the same time. This can be seen as evidence for the possibility that the various trade unions could reconcile their interests that year and form a common front against the government.

Figure 2.3: Worker participation in strikes in Romania, 1992-2007



Source: International Labor Organization, author's calculations based on data available in the Laborsta online database (laborsta.ilo.org, retrieved April 12, 2009).

Trying a different interpretation, Martin and Cristescu-Martin (2000) see the events of 1999 as resulting from the government's failure to institutionalize industrial conflict in tripartite commissions. The point deserves attention, since more efforts on the part of the government to include unions in effective tripartite bodies could have served the government's interests by leaving the 1999 protests without guidance by union leadership. But the government was trapped between international commitments to the International Monetary Fund and the World Bank and its limited decision-making ability, being a broad and fragile center-right coalition of four political parties (Stan 2002). In other words, there is little that the government could have offered unions in tripartite bodies. To confirm this suspicion, the experience of trade unions in tripartite bodies in other post-communist countries has not been very bright. For instance, in Hungary unions in manufacturing gave their support to the government, with the Social-Democratic 1994-1998 government not being able to offer much in exchange. Nevertheless, the co-option of the manufacturing unions into tripartite bodies meant that the government had successfully divided organized labor, so that the strike wave of 1995 in Hungary would be limited to the public sector, as a comparison of figures 1 and 2 shows. For unions in

manufacturing this meant even more membership decline than was due only to restructuring, with a large part of the rank-and-file disappointed by the union leadership's choices (Tóth 2001). In contrast, in Romania because of the intra-industry division between trade unions, the government would have to co-opt more than just one union in industry to ensure that the remaining unions in industry do not lead strikes. Co-opting a union on one side of the intra-industry divide would mean supporting that union's interests rather than the other ones', something that would push other unions to take a hostile stance towards government. How such a hostile stance developed can be seen better if we switch from a snapshot-perspective of industrial conflict in Romania to one that follows key events in the development of the scene after the fall of communism. One can distinguish between several periods in the development of Romanian trade unions after 1989, based on the relations to the ruling parties and the pace and direction of economic reform. While the oil-industry unions kept their power throughout transformation, what changed was the situation of unions in mining, steel, and machine-building.

1) The Years of Union Power

A first period, encompassing transformation's first seven years (1990-1997), could be referred to in the way trade union leaders themselves call it: the years of union power. 1990 saw the Communist monolith General Union of Romanian Syndicates (*Uniunea Generală a Sindicatelor din România*, UGSR) disbanded along intra-industry divisions, with one interviewee suggesting that one of the causes for the UGSR's fall was the inability of sectoral union leaders to reach a decision around who would run the union (Bv5 2008). Meanwhile, the process of union creation could develop bottom-up, with workers at the country's biggest plants disbanding the old union and establishing new ones (T1 2009). The rapid creation of unions in the oil industry, spreading – partly with the help of Western trade unions – know-how on organizing and mobilizing to the steel sector (H4 2007), meant that trade unions could quickly acquire influence at the local level, based on the massive numbers of members they commanded in Romania's heavy industry. As one union leader declared in an interview, “when one [union leader] would step in the governor's office as the representative of 20,000 people [at a single plant] he would take no “no's” from any governor” (H3 2008). The actual relationship to the government was in fact rarely that easy, and could develop into conflict also in these early years. For instance, in 1994 the government attempted to close down a steel- and a heavy-machinery plant in the Romanian town of Reșița; this confronted the unions for the first time with the challenge of mobilizing to stop a plant closure. It would turn out to be Cartel Alfa's first victory, as it convinced the government – after a long stand-off - to support investment at the plant and help replace obsolete equipment rather than close down the plant altogether.

The real power of unions would actually lie in the mining sector, with miners proving perfectly capable not only of organizing strikes in their isolated mining communities, but also of disrupting politics in the capital. In fact, the miners established a symbiotic relationship to parts of Romania's post-communist Social-Democratic Party (called the National Salvation Front at the beginning of the 1990s and then later the Party of Social Democracy and Social-Democratic Party). Miners proved instrumental to violently crushing the opposition's protests in Bucharest in June 1990, but became increasingly independent one year later. They ousted the government in September 1991 and again attempted the same thing in 1992, when instead they reached an agreement (Rus 2007).

2) Decline and Backlash: Restructuring and First-Wave Privatizations.

The elections of 1996 brought to power a center-right coalition of four parties that initiated restructuring at several metal plants, but focused most of its efforts on the mining sector. The term

restructuring most of all and primarily implied layoffs, and, at least in the mining industry, the closure of many economic units (mines). The government's approach relied on offering workers substantial severance benefits, for instance in the case of miners and steel-workers including the equivalent of 12 times the worker's monthly wage. Strapped as they were by falling demand for their products and having witnessed a long period of diminishing wages (also due to inflation), most workers were happy to take the government's offer. In the case of one steel-plant plant studied in this dissertation, Siderurgica in the isolated mountain town of Hunedoara, the workers not only did not oppose restructuring but asked their union leaders to go to Bucharest and get them even higher severance payments. But the government forced the program at a speed that was beyond the capacity of local labor markets to offer jobs to the newly unemployed. In Hunedoara the laid-off workers ran out of money soon, with little luck in finding new jobs. When the government declared that 60% of the workforce would be laid-off over a period of six months in 1999, the union chose to fight and blocked restructuring by occupying the plant. In the end the union convinced the new prime-minister to grant the enterprise guarantees for a bank loan that would be used for modernizing production facilities.

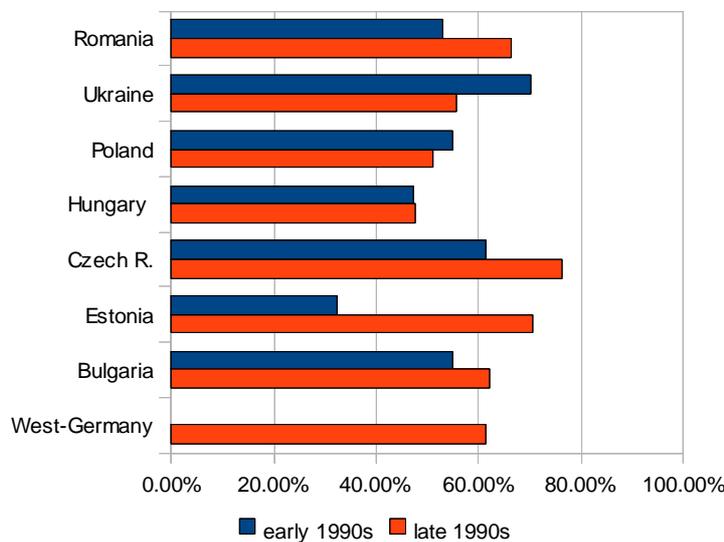
But the real problem for the government turned out to be the mining sector. When sending into unemployment 70,000 miners in the Jiu Valley in 1998 (another 13,000 accepted retirement), the government apparently thought that the problem of the miners' protest potential would be solved by offering miners high enough severance pay and expected them to return to their native regions (Eastern Romania, as opposed to the Jiu Valley in Western Transylvania, where most mines are located, Haney/Shkaratan 2003: 6). In January 1999, however, after depleting severance funds and having nothing with which to replace the jobs lost in the closing of their mines in the Jiu Valley, the miners forced a march on Bucharest, twice defeating the police forces sent to stop them and forcing the government to negotiate. The President of the country even pulled the army out of the barracks to block the roads to Bucharest. The government nevertheless gained the upper hand once the results of the negotiations divided the miners and, in a third and successful clash with the less numerous radical core of the miners' movement, the police arrested most of the miners' leaders. Five leaders received long jail sentences, and one died in prison. Despite seeing the miner leaders imprisoned, the government lost the momentum for further reform, and the prime-minister was replaced, a victim of the infighting between the coalition government's several political parties.

In machine-building, too, unions stopped restructuring by simultaneously organizing disruptive actions in different parts of the country, usually in the form of road blocks. On one occasion in Braşov in 1999, workers even captured the Minister of Finance, holding him captive to force negotiations with the prime-minister (*Ziarul de Iaşi*, June 3, 1999). In the same town, an industrial center concentrating the country's biggest machine-building plants, later that year the workers also occupied and devastated the governor's office (*Ziarul de Iaşi*, November 6, 1999).

Meanwhile, the government's privatization initiatives for the steel sector ended in bitter conflict. The first wave of privatizations, mediated by a state agency called the State Property Fund, proved that the state was incapable of finding private owners for the steel plants who would be interested in investing in production, and not in asset-stripping. 1999-2000 saw a number of privatizations in the steel-industry to foreign companies consisting of nothing more than a mail box in Bucharest, Gibraltar or New York. Facing mounting wage arrears due to the new owner's incapacity to maintain stable production, the trade unions' response was to block the new owners' actions at these plants and demand that the plants be returned into state property. The unions would achieve four such re-nationalizations through a mix of disruptive actions such as road blocks in battles that lasted until 2003. The most dramatic of these standoffs, over the privatization of the Reşiţa steel mill to the American company Noble Ventures, which last almost three years (*Financial Times*, April 18, 2005), is studied in the dissertation's Chapter 4 (together with other cases). The other three re-nationalized plants were Petrotub in Roman, Tepro in Iaşi, and the steel-mill in Oţelu Roşu.

Figure 2.4 shows the approval rate in the Romanian population for organizing strikes, at two different moments in transformation, in regional comparison. Similarly to many other post-communist countries (I include Bulgaria, the Czech Republic, and Estonia next to the countries included in the previous figures), Romania has seen a strong rise in the numbers of its citizens that approve of strike action. The figure shows that Romania is in no way exceptional in the extent to which its population came to support strikes, even though in Romania the actual strike pattern singles out the country from the post-communist region (see Figure 2.2). Figure 2.4 shows also countries that have witnessed the opposite trend, of diminishing support in the population for strikes (Ukraine), but levels nevertheless remain comparable to the only Western European country included in the two-wave Post-Communist Publics Survey, Germany (without Eastern Germany).

Figure 2.4: Approval of strike threats in the population, various post-communist countries and Western Germany, early 1990s and late 1990s



Source: Author's calculations based on the Post-Communist Publics Survey, part of the Post-Communist Citizen Project (Barnes/ Simon 1998, Wessels/ Klingemann 2006).²⁸

From a trade union perspective, the single most dramatic event that turned into an infamous symbol of this first wave of privatizations was the assassination of trade union leader Virgil Săhleanu in September 2000 at the steel plant Tepro in Iași. Criminal investigations later established that the murder was commissioned by the (already private) plant's general manager together with a foreign investor (*Adevărul* 2005, March 3). The unions saw and portrayed the state as the main culprit for the assassination, which for them became symbolic of the state's inability to find 'proper' investors (*Ziua*, September 8, 2000, citing the Cartel Alfa leader). Also, the asset-stripping of the steel plant in Călan,

²⁸ The specific question asked was “Do you approve of a community using the following ways to protest or do you think they are unacceptable?”, with the following “ways to protest” included: “petition, boycotts, lawful demonstrations, threatening to go on strike, wildcat strike, occupying buildings/factories”. Answers consisted of “approve strongly”, “approve”, “disapprove”, “disapprove strongly” (Central Archive for Empirical Social Research, University of Cologne, 2005). In the early 1990s the percentage of respondents approving the use of strike threats was 52,80% in Romania, 70% in Ukraine, 54,90% in Poland, 47,20% in Hungary, 61,20% in the Czech Republic, 32,50% in Estonia, 54,90% in Bulgaria (data for Western Germany not available). In the late 1990s the percentage of respondents approving the use of strike threats was 66,30% in Romania, 55,60% in Ukraine, 50,90% in Poland, 47,80% in Hungary, 76,20% in the Czech Republic, 70,50% in Estonia, 62,10% in Bulgaria, 61,50% in Western Germany.

Hunedoara, a privatization that the trade unions initially backed, was important in convincing the trade unions that the government was less interested in keeping the country's industry alive than in feeding its hungry political clientèle (*Agerpress*, February 2, 2009, citing the former trade union leader in Călan).

3) *The Second Wave of Privatizations, 2002-2004, and the Stabilization of Industrial Relations*

The elections in December 2000 brought the Social-Democrats back to power, in numbers strong enough to witness something unseen ever since 1992, a single-party government. The period would bring a stabilization in industrial relations due to the government finalizing privatizations in the country's heavy industry, the emergence of a more transparent and united employer's network to engage in tripartite negotiations, and the adoption of a new labor code. The new government proved much better at imposing privatization by force than its predecessor, while also using generous severance payments and at, least in the case of the machine-building center in Braşov, a strategy of co-opting union leaders.²⁹ In the steel sector, the government eventually turned to the unions' side in two standoffs between private employers suspected of asset-stripping and workers in Reşiţa and Oţelu Roşu, accepting to cancel the two plants' privatizations. Yet with Romania already in the process of accession to the European Union (EU), the steel industry could not remain in state hands. Furthermore, an important transnational business group, Mittal Steel, was interested in the steel industry and received the Social-Democrats support in acquiring the country's biggest steel plant in Galaţi (*BBC News*, February 14, 2002). The same group also acquired two more plants, the ones in Hunedoara and Roman, but conditioned the takeover of the plants on the government's ability to impose 50% layoffs. The unions fought the terms of privatization bitterly, but the government imposed them by making unprecedented - at least in the steel sector - use of the police (B4 2007). The other steel producers to enter Romania in 2002-2004 next to Mittal Steel were Russia's TMK and Mechel, initially acquiring the plant in Reşiţa (TMK, 2004) and Târgovişte (Mechel, 2002), and later taking over three other (smaller) plants. Part of the deal that convinced the unions to accept these privatizations was that the government issued a law in 2002 canceling the debt of enterprises to the state budget (*Ziarul Financiar*, October 27, 2003) and asking employers to sign a social contract with the unions, to last for several years, that would return the plant to state property if the employer failed to meet the obligations in the social contract (Calcagno/ Hefner/ Dan 2006).

The figure below shows some labor market outcomes of government reforms in Romania. The large numbers of workers shed especially in the transformation's first decade – the drop in the number of full-time employees from 47% in 1993 to 33% in 1999 - was achieved at the expense of a staggering increase in the number of retirees from 19% in 1993 to 37% in 2005. The drop in union members and the rise in the number of retirees seem to go hand in hand. At the same time, the percentage of people declaring union membership in the total number of employees decreased dramatically, from 29% in 1993 to 14.6% in 2005. Unemployment peaked around 1999 at 7.8%, to decrease to pre-1993 levels in 2005 (4.8%). The number of people in the “housewives”-category also increased tremendously during transformation, from 4.4% in 1993 to 13.1 and 13.3% in 1999 and 2005, respectively.

²⁹ The Social-Democrats offered union leaders top positions on the party's local list of candidates in the parliamentary elections of 2004. I studied how the government dealt with the union stronghold in Braşov in two rounds of fieldwork in 2008.

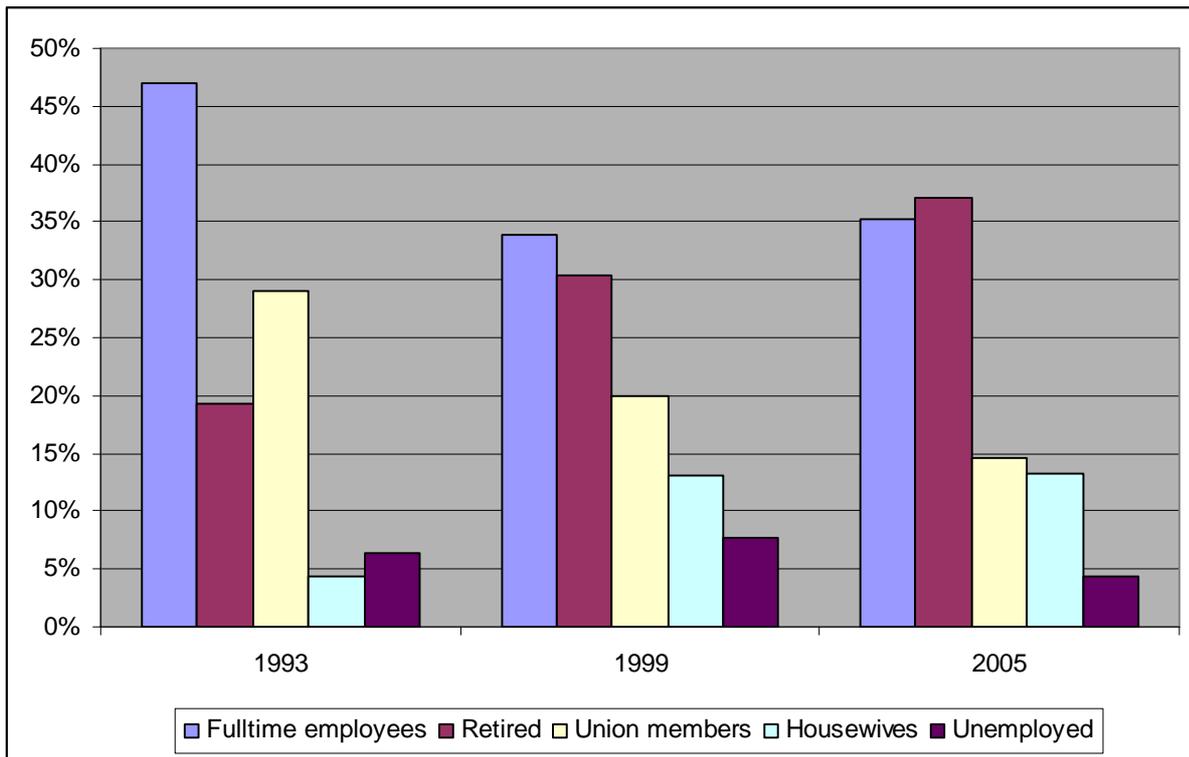


Figure 2.5: Employment categories in Romania, 1993-2005

Source: Author's calculations based on the World Values Survey database (World Values Survey Association, 2009). The percentage of union members is calculated as the union members' percentage in the total number of employees (formal and informal), including the self-employed.

The end of privatizations brought stabilization also to the employer side, with unions in the steel sector for the first time meeting private employers over negotiating a branch-level collective agreement in 2004. The adoption of a new Labor Code in 2003, to replace the pre-1989 one, brought further stabilization to the country's industrial relations. The government faced a united front of trade unions in the negotiations over the labor code, a fact that was seen by several sources as a success for labor. Thus, free-market economists Coyne and Leeson (2004: 244) decry the adoption of the Code as it "make[s] it extremely difficult to hire short-term labor and make[s] the process of firing employees arduous", and sociologist Pasti (2006: 54) notes that the code included "a vast network of employer obligations". After the Social-Democrats lost the elections in 2004, the new right-wing government accepted the employers' demand to renegotiate the Labor Code. Pasti (2006: 54-55) writes that the employers had for the first time overcome the divide between foreign and local employers and had made radical proposals for abolishing unlimited work contracts and collective agreements. The trade unions stopped both proposals, but accepted to renegotiate parts of the Code.

Ever since, the country's industrial relations scene has seen a break from the contentious patterns of the end of the 1990s and beginning of the 2000s. Following Romania's obligations as a country negotiating EU-accession and - starting with 2007 - as an EU-member, trade unions saw increasing inclusion into the process of policy-making at the national level, with the overall verdict so far being that the EU-acquis communautaire, coupled with the strength of Romanian trade unions, have led to an improvement in labor standards unseen in countries with weaker trade unions, such as Poland or Estonia (Trif 2008). However, Romanian trade unions have not escaped the dilemma of the inclusion in national politics (Offe/ Wiesenthal 1980), their increased influence at the national level costing them some of their influence on the ground. The trade unions might have become vulnerable to discontent

from below, mostly by accepting the government's and employers' arguments for coupling wages to productivity increases in a country still witnessing low standards of living and continuing increases of consumer prices. Thus, in 2008 the country's biggest steel-plant, ArcelorMittal Galați, responsible for 77% of Romania's steel production, was crippled by an illegal strike at the coke-processing section, involving some 3,000 of the plant's 16,000 employees and organized by a rogue trade union unrepresented at the national or the branch level (*Mediafax*, April 15, 2008). The union demanded in the name of the workers a 100% wage increase, while the established unions of the Cartel Alfa had achieved only a 9% increase. It remains to be seen whether the unions can manage such discontent. On the other hand, some unions (Cartel Alfa and BNS) also recently had some successes by organizing the workers at the green-field site of Nokia's new plant near Cluj and winning a three-week strike at the Renault car-plant in Pitești, both in 2008 (*Ziua de Cluj*, February 20, 2008, *BBC News*, April 11, 2008). This demonstrates that they are capable of functioning under the conditions of more consolidated capitalism.

2.3. Managing Discontent in Ukraine

Transformation brought Ukrainian workers a tremendous deterioration of living standards, the various aspects of which – in terms of employment, wages, housing, access to health services, education – are covered in Mandel 2004, Simonchuk 2005, and Zon 2000 (for a regional comparison see Libanova 2007). A recent article (Stuckler/ King/ McKee 2009) spurred the debate again by arguing that mass privatization has led to a “post-communist mortality crisis” due to stress- and alcoholism-related illnesses that devastated the ranks of the ‘restructured’ (massively laid-off) workers, particularly in CIS states. Although Ukraine stands out as the Eastern European country with trade unions undertaking little to no efforts to mitigate the effects of economic reforms on workers, the country has seen its share of industrial conflict. The situation in Ukraine features the following three characteristics. First, similarly to Poland and Hungary, Ukraine's peak in industrial conflict occurred at the beginning of transformation. Second, unlike in the Romanian case, most industrial conflict in Ukraine can be traced back to the mining sector, while unions in manufacturing showed much less initiative to organize opposition to employers. The figure below shows strikes in Ukraine's manufacturing sector in comparative perspective, Ukraine's manufacturing industry showing one of the lowest shares in the total number of strikes in the region.

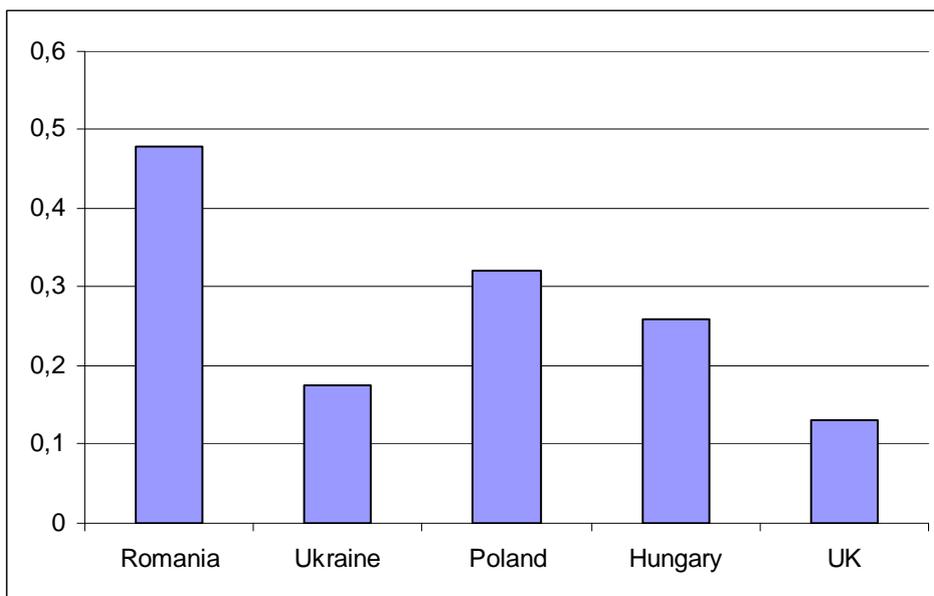


Figure 2.6: Ukraine's silent manufacturing sector. Average share of manufacturing workers in the number of total strike participants, in several Eastern European countries and the UK, 1990-2007

Source: Author's calculations based on ILO data.

Third, as shown in Figure 2.7 below, contention in industry took place predominantly in the country's Eastern regions, the home of most of Ukraine's mining and heavy-industry sectors (Pan'kova/ Ivashchenko 2006). The country's Western half saw much less industrial conflict, or, better said, The Federation of Ukrainian Trade Unions (FPU) did not lead such conflict to the extent this happened in the East. FPU leaders in the West were reluctant to join the strike movement started by Donbass workers, suspecting that the latter's strikes were instrumental to the political goal of gaining autonomy for the Donbass region (Pan'kova/ Ivashchenko 2006: 242), and also facing far less competition from new unions, which predominantly emerged among Eastern Ukraine's miners (Pleines 2004).

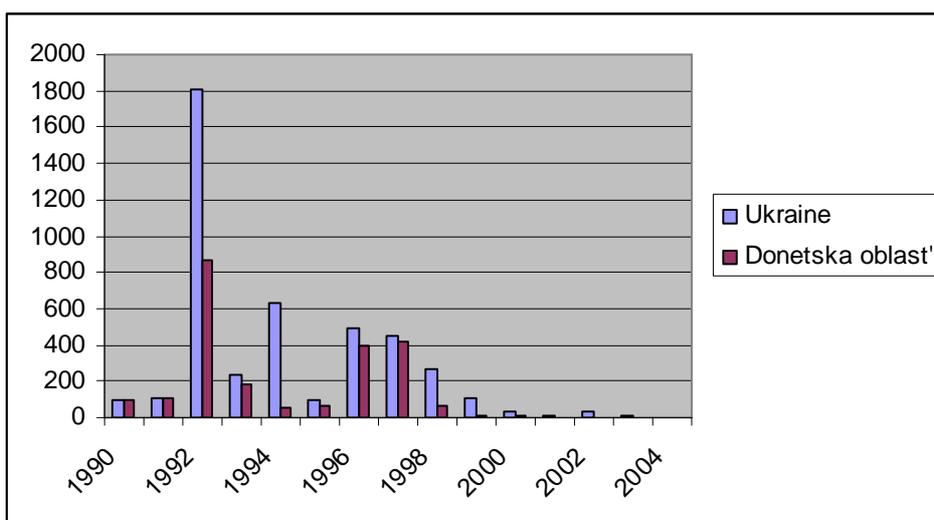


Figure 2.7: The number of enterprises and organizations on strike in 1990-2004 in Ukraine and in its Eastern region of Donetsk (*Donets'ka oblast'*)

Source: Adapted from Pan'kova/ Ivashchenko 2006: 241.

One possible explanation for Ukraine's much lower strike rates than in other countries – despite seeing equally harsh economic conditions – is the difference in how Ukrainian governments approached the reform process of the country's industry throughout transformation. For instance, while Romania's heavy industry (steel and machine-building) was subject to thorough restructuring in the form of mass layoffs as early as 1997, the situation in Ukraine was very different. The Ukrainian steel sector never came close to the numbers of workers sent into unemployment or retirement in Romania or Poland by 2000 (between 50-70%, see FES 2006, Sznajder 2006), with current employment numbers similar to numbers at the beginning of transformation (labor restructuring in steel never reached 10% of the 1990 labor force, with the industry employing 440,000 in 1990 and 423,000 in 2002, Mykhnenko 2004: 49). Civil machine-building saw massive job loss, about 78% of the 1992 workforce. Indeed, machine-building and metal-processing in general were at the heart of labor market restructuring in Ukraine, the industrial sector to see the biggest drop in employment, from 3m in 1990 to a staggering 1.8m in 1995, and down again to 974,000 in 2001 (Simonchuk 2005: 17, using data from the State Statistics Office of Ukraine). However, the decrease in jobs did not take place via massive layoffs (as in Romania, for instance, with government-supported severance pay packages); the case studies analyzed in the empirical chapters suggest that most employees left by themselves because of the very low wages in the sector. The only sector to see restructuring in the form of massive layoffs and simultaneous closure of enterprises over a short period of time was the mining sector, but even there the layoffs – some 25% of the pre-restructuring workforce - never came close to the situation in neighboring countries such as Romania or Poland, where layoffs reached up to two thirds of the workforce by 2001 (60% in Romania and 41% in Poland, Haney/Shkaratan 2003: 4). The government abandoned the restructuring program in the mining sector in 2001, in a return to an industry model relying on increasing production through high levels of subsidization (*Ibid.*: 10).

Figure 2.8 below presents survey data on the development of union membership in Ukraine and other labor market indicators, such as percentage of full-time and part-time employees, retirees, and unemployed. Data comes from the World Values Survey and is confirmed by data in the Post-Communist Publics Survey; I present here the numbers from the WVS since it includes more data points and variables. The data shows an interesting trend: While the numbers of full-time employees decline together with the numbers of union members in the transformation's first decade, a growth in full-time employment in the 2000s does not bring about a reversal in the trend of declining membership. This is probably partly due to the fact that full-time employment is growing through job creation in the private sector and at green-field sites, areas that Ukrainian unions have difficulties organizing.

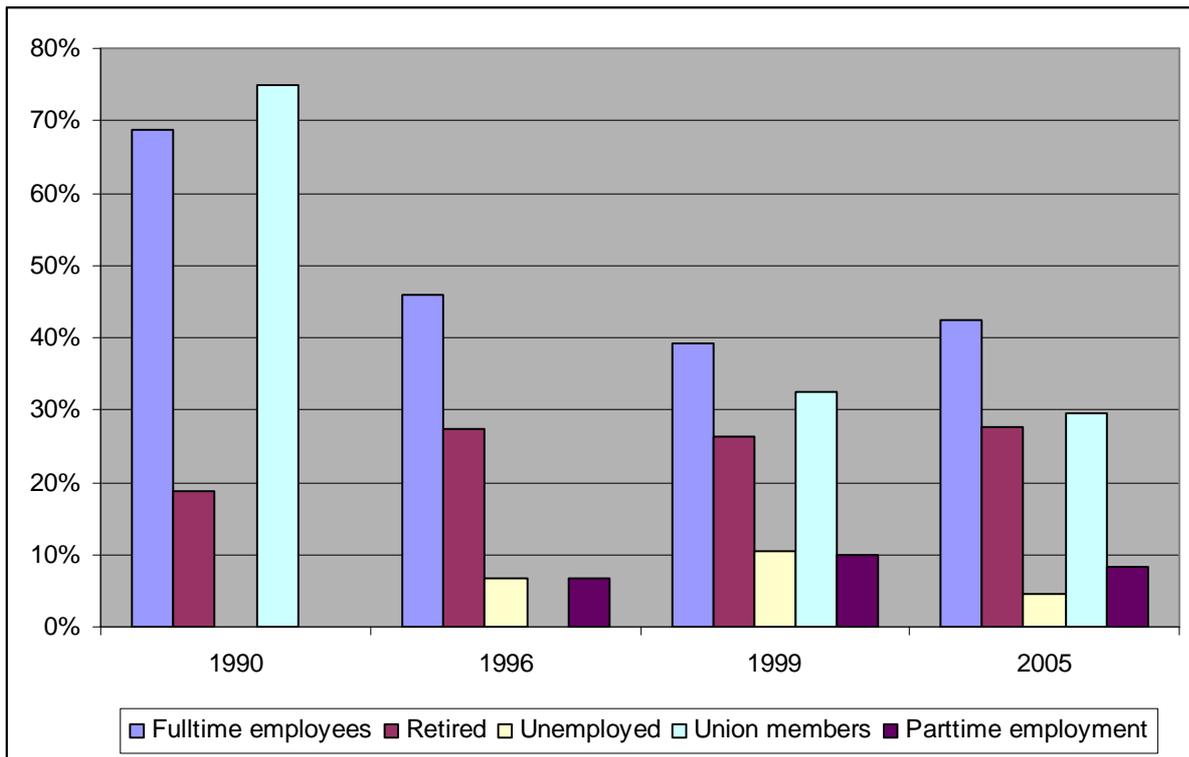


Figure 2.8: Employment categories for Ukraine, 1990-2005

Source: Author's calculations based on the World Values Survey database (World Values Survey Association 2009). The percentage of union members is calculated as the union members' percentage in the total number of employees, including the self-employed. Data points for 1990 are taken from the WVS conducted in the Russian Federation on the assumption that data for Russia comes close to Ukraine, as no WVS was conducted in Ukraine at the beginning of transformation. Data from the Post-Communist Publics Survey confirms this assumption, finding 87.9% union members in Ukraine among those "working full-time" in January 1991 and only 38.5% in December 1998.

The other explanation I offer links the lower strike rate to the 'structural constraints' faced by trade unions in Ukraine. Even more than the Yeltsin administration in Russia, the government allowed Ukrainian trade unions to carry on performing tasks of distributing social benefits (Davis 2001: 108), tasks that came at the expense of more militant action, such as leading worker protests. In the face of mounting worker discontent with reforms, unions could dodge the task of actually leading worker protests and instead perform tasks of administering social benefits that governments and local authorities did not take over. Only when the economic crisis brought by the transformation recession became so bad as to undermine the enterprises' ability to pay for social benefits would trade unions accept a more militant role. Trade unions would switch back to the model of providing social benefits as soon as the economic situation would allow enterprises to pay for at least some of these benefits.

To illustrate the idea of how the unions' return to providing social benefits came about, I distinguish between three phases in the development of Ukrainian trade unions during transformation and I introduce a Ukrainian industrial union that has seen a drop in employment during transformation similarly to what the Romanian steel industry has experienced. The first phase – marked by the exceptionally high participation in strikes in 1989-1991 – was set off by the fall of the Soviet Union and the miners' strikes that accompanied it. It led to the creation of new unions predominantly in mining in Russia and Ukraine, but most workers (also in mining) retained membership of the FPU, the Federation of Trade Unions of Ukraine, the successor of the Soviet-era union and a proponent of the social-benefits model. The second phase was marked by increased mobilization in response to the

deepening transformation recession and reached its peak in the 1997 strike wave. The third phase saw trade unions move away from protests, to the extent that the country's partial recovery from the transformation recession allowed FPU unions to resume their social-benefits-providing mission. While discussing the three phases and especially the latter two (less dominated by unions in mining) I will provide an overview of developments in and around Ukraine's Farm- and Auto-Machine Builders' Union, a union that has been at the center of economic turmoil and also protest activities, but later returned to the distributive model of providing social benefits.

1. *Pre-1994 Strikes and Mobilization*

The strike wave that spread across the Soviet mining sector in 1989-1991 would leave deep traces in the Ukrainian trade union scene (Borisov 1993; Crowley 1995; Pleines 2004). Similarly to Russia, Ukraine also saw the establishment of new, independent trade unions, distancing themselves from the model of the communist successor unions that continued to administer social benefits and tolerate management union membership. The main newly-established union was the miners' NPGU union (*Nezalezhna profspilka hirnykiv Ukrainy*, The Independent Trade Union of Miners of Ukraine).³⁰ It soon spread into other branches by establishing "independent" trade unions among dockers and especially transport workers, and founded the Confederation of Free Trade Unions of Ukraine (*Konfederatsiia vil'nykh profspilok Ukrainy*, KVPU) with workers from these other branches. Confronted with a government-initiated offensive against KVPU unions in the public sector in 1992, workers organized by the KVPU shortly lost momentum, but protests erupted again with the national strike in June 1993. The strike opposed the government's reform program and was aimed at forcing the resignation of President Leonid Kravchuk, the main culprit in the workers' eyes for the worsening of living standards. The strike was initiated by the miners and was concentrated in Eastern Ukraine. It ended only after Parliament agreed to hold a referendum on the population's confidence in the President and the Parliament (Crowley 1995: 62). The promise was not kept, but elections followed already in 1994, seeing all candidates for President running on platforms supporting worker and especially miner demands (Mandel 1994). The winner of the elections, Leonid Kuchma, ignored the promises made in the campaign and initiated a vast program of reforms that set the stage for a new protest wave.

2. *Mid 1990's - The Ukrainian Strike Movement (Miners, Machine-building)*

Worker protests gained momentum again around 1996-1997, but were to a much larger extent the result of spontaneous action by workers protesting over wage arrears and worsening living standards than the result of coordinated union action. The 1996-1997 strike wave saw no more political strikes or attempts to co-ordinate regional strikes, with the exception, again, of the mining sector. According to Pan'kova and Ivashenko (2006: 243), the government controlled by President Leonid Kuchma also pursued a harsher policy towards protesters, using police, punitive layoffs, and arrests to intimidate strike organizers. In fact, the government's approach was much more nuanced, at least in the mining sector: The government used more aggressive methods (initiating court investigations and sentencing leaders) only in the case of the NPGU. At the same time it courted the FPU-affiliated PPVP industrial union, organizing some two thirds of the miners (PPVP - *Profspilka pratsivnykiv vugol'noi promislivosti*, the Union of Mining Industry Workers). The government offered PPVP leaders positions in the administration, including the job of a deputy prime-minister, and increased the financial support for

³⁰ All abbreviations of names of Ukrainian organizations in this dissertation refer to the organizations' names in Ukrainian. For the NPGU, however, despite giving in the text above the full name in Ukrainian, I will use the abbreviation NPGU (abbreviated from the organization's name in Russian) as is its very common in the literature.

PPVP activities. By 1998 the government had reached agreements with both NPGU and PPVP (Pleines 2004). In manufacturing, strike activity was strongest in 1997 (if one excludes the pre-1994 phase), with roughly 14,000 workers going on official strikes that year; the figure would drop dramatically after 1998, with no annual participation numbers ever exceeding 1,000 workers after 1999.

3. Restoration

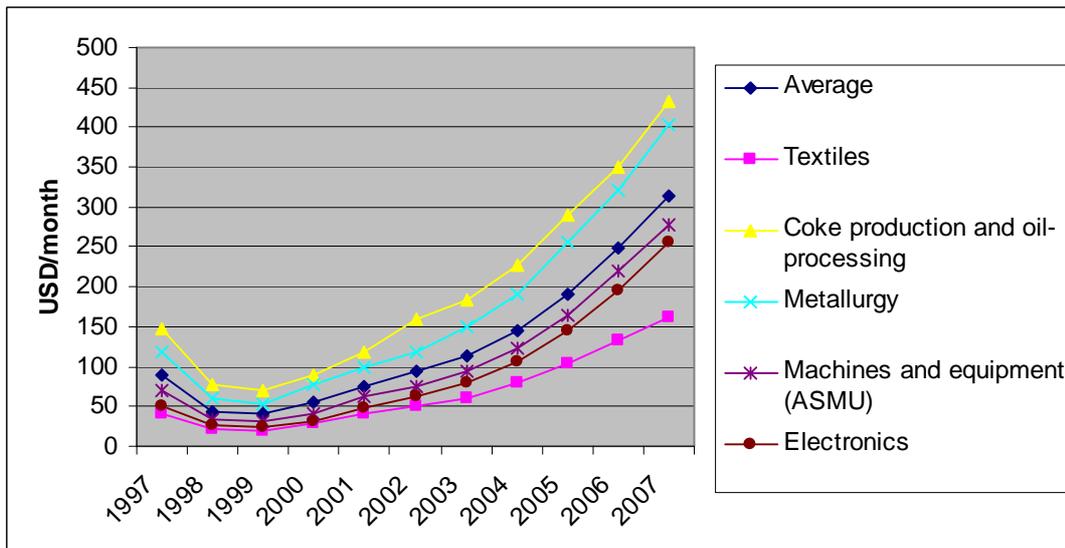
The third phase started around 2000 and lasted until the world economic crisis reached Ukraine in 2008. It was a phase characterized by relative economic stability of the economy and slow recovery from the transformation recession. Unions refrained from industrial conflict, the most influential of them preferring to distribute social benefits rather than interfere in employment relations. The period, however, was not void of industrial conflict. It is just that such conflict was marginal, with the large industrial unions doing little to support the plant-level organizations that occasionally entered into conflict with employers over issues such as pay and working conditions. To illustrate this, I will introduce the example of one of Ukraine's industrial unions in machine-building, a union that saw a change from a militant period around the end of the 1990s to a return to providing social benefits in the 2000s: Ukraine's Auto- and Farm-Machine-Building Workers' Union (*Profspilka pratsivnykiv avtomobil'nogo ta sil's'kogospodar'skogo mashynobuduvannia Ukrainy*, ASMU).

ASMU Unions during the Transformation Recession

Ukrainian machine-building is one of the sectors that best embodied the larger national trend of a country that saw Eastern Europe's deepest and longest transformation recession (excluding war-hit economies). After 1992 the ASMU lost 74% of its half-a-million members during transformation, with most of the difference due to the massive closure wave and downsizing of enterprises; the percentage of union members in the sector remained, despite such closures, at around 90%.³¹ Throughout transformation, living conditions continued to deteriorate, with wage increases doing little to compensate for the rise in consumer prices (yearly increases below inflation rates until 2000) and, also in the machine-building sector, substantially and constantly falling below the manufacturing sector wage average, a dynamic presented in Figure 2.9.

³¹ In January 1991 the ASMU had 520,000 members and in 1996 only 360,000. Density in the sector had remained unchanged over these years, at 96% (Mandel 1997: Interview with the ASMU chairman). By 2003 the ASMU membership had halved again, down to 156,030 members, while the figure for 2007 was 128,302 members. The unionization rate had also fallen, down to 87% (A2 2008).

Figure 2.9: Dynamics of the average monthly wage in selected industrial sectors



Source: State Statistics Committee of Ukraine, conversion to US dollars calculated by the author on the basis of historical exchange rate data on www.oanda.com

While Pańków and Kopatko (2001) noted the general apathy of Ukrainian trade unions and failure to defend workers’ interests during transformation, the picture among ASMU organizations around the end of the transformation’s first decade was very different. Labor in civil machine-building did not go down without a fight during transformation. A member of the successor to the Soviet-era union, the Ukrainian Federation of Trade Unions (FPU), ASMU contrasted in many ways with the general picture of passive and non-influential FPU unions in the face of reforms that “devastated millions of workers” (Kubicek 2004: 166-167; Pańków/ Kopatienko 2001; Borisov/ Clarke 2006).

ASMU stands out due to its fight for trade union independence by prohibiting managers from joining trade unions. Despite a deep divide between ASMU’s central leadership and plant-level and regional leaders over this issue, with central leaders supporting independence, ASMU had some important results. First, ASMU achieved in 1997-1998 the change of its formal statutes to exclude management from union positions (either being elected to union positions or negotiating on behalf of the union). Second, ASMU achieved the inclusion of a provision forbidding management to enter unions in the new Law on Trade Unions (1998-1999). Parliament watered down the provision by restricting its effects to company owners and general managers, but within ASMU new statutes forbade union membership to all management ranks down to shop foremen (Mandel 2004: 170).

Machine-building remains a deeply divided industrial sector, with as many as eleven unions negotiating the sectoral agreement with the government in 1998. Ten years later (in January 2008) there were still ten industrial unions left, including e.g. ASMU, the Ship-Building Workers, the Electronics-Industry Workers, the Military Industry Workers, and Aviation. ASMU stood out in the 1998 negotiations as the only union in the machine-building sector to enter into conflict with the government – back then under the leadership of President Leonid Kuchma - over the issue of minimum wage levels. The government wanted to keep a minimum wage that was below the poverty line, a proposal that ASMU refused to support, despite being hardly able to do anything about it. (For other similar instances, see Mandel 2004: 171.)

ASMU also stood out for its critical stance towards the dominant approach among post-Soviet unions in Russia and Ukraine, the so-called ‘social partnership’ approach. Initially imported from Western vocabulary, social partnership became the mantra of traditional post-Soviet unions in most of the CIS countries, with little attention paid to the fact that ‘partnership’ implied some measure of equal

power between partners (state, employers, and unions). Needless to say, such equality between partners was largely absent and unrealistic in the post-Soviet political economy (Ashwin 2004; Ashwin/ Clarke 2003; Borisov/ Clarke 2006). The unions' partners in tri-partite organizations also today fail to deliver on the most basic demands of unions, such as the timely payment of wages or the increase of minimum wages to the subsistence-wage level, but this has led to little criticism among unions of the usefulness of the 'social partnership' approach in post-Soviet unions (Borisov/ Clarke 2006). The ASMU leadership around the end of the 1990s was an exception from this pattern, showing little understanding for the failure of 'partners' to respect and enforce sectoral agreement stipulations on wage payments and minimum levels. It also pressured plant-level unions to respect sectoral agreements, achieving that in 2000 about 70% of plant organizations reached the target of wage levels as laid-out in the sectoral agreements. This, however, was about to change dramatically due to a change in leaders and after the Kharkiv regional organization lost influence within ASMU (Mandel 2004).

Restoration of the Social-Benefits Model and Marginalization of Contention Within ASMU

Restoration of the Social-Benefits Model

Mandel (2004) explains ASMU's exceptional stance with reference to its atypical 1991-1999 central leader – coming from employee-ranks rather than from the union bureaucracy - and the influence of the Kharkiv regional organization within ASMU. Accounting for more than a quarter of ASMU's members in the 1990s, the Kharkiv regional organization – from among the country's 25 - was Ukraine's first labor organization to declare its independence from state and management in May 1990 (Mandel 2004: 168). It played the main part in shaping ASMU politics, by supporting the move towards union independence, the wave of worker militancy in the 1990s' second half (pushing for a national general strike), and the Socialist Party in politics (Mandel 2004: 183-187).

In late 1999 ASMU underwent a change in leadership, the new union president being much more supportive of 'social partnership' than his predecessor. The extent to which ASMU organizations reached the target of wage levels as laid-out in the sectoral agreements fell from 70% to 50%, despite the overall economic improvement (Mandel 2004:182). This roughly coincided also with the decline in influence of the Kharkiv regional organization, with all but one of the large machine-producing plants in that region shut down during the beginning of the 2000s. The regional organization that would rise to take the place of Kharkiv would be the one in Zaporizhia, with some 30,000 members also nowadays, of which 16,000 at the country's biggest car-building plant, The Zaporizhia Automobile-Building Plant (*Zaporiz'kyi Avtomobilebudiveln'nyi Zavod, ZAZ*). ZAZ would quickly become one of the sector's few profitable plants, largely after the 2002 privatization to a local businessman. In comparison with the late 1990s, production rose sixfold. There was also a substantial increase in wages, and therefore also in the money that the ZAZ plant-level organization received from members and re-directed to central ASMU organs (while keeping 70% of funds for itself). Figure 2.10 shows how car-production developed in Ukraine ever since the fall of the Soviet Union. At least 60% of the yearly amount can be attributed to ZAZ, given that ZAZ is by far the biggest car-producer in the country (220,000 cars per year, in comparison to only 88,000 produced by the second-biggest car manufacturer, Bohdan Holding).

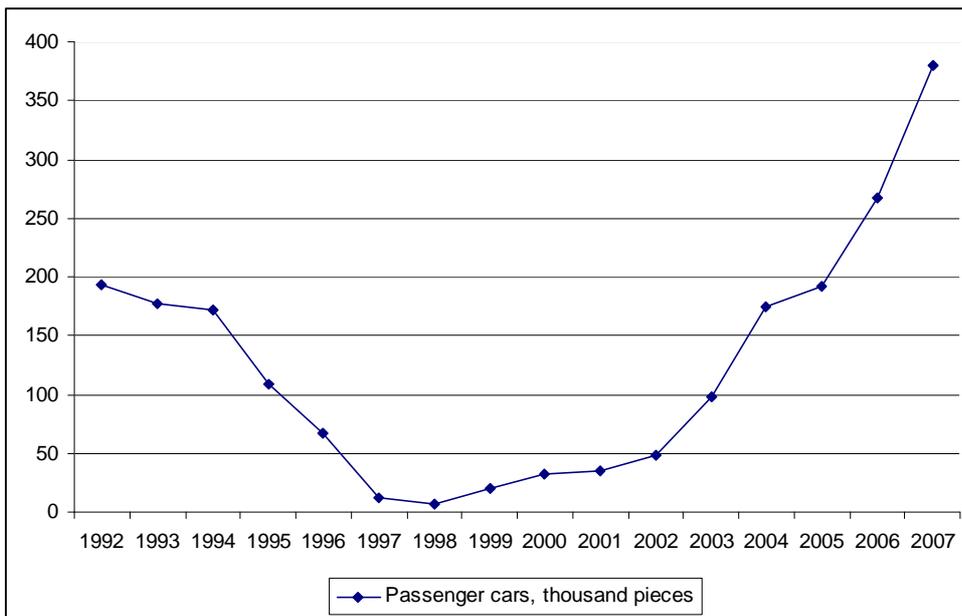


Figure 2.10: In and out of the transformation recession: Car production in Ukraine, 1992-2007 (in thousands of units) Source: State Statistics Committee of Ukraine.

The rise of the ZAZ plant and its union’s social partnership approach would go hand-in-hand with one of the country’s biggest defeats of militant unionism, the battle over Kharkiv’s *Serp i Molot* (“Sickle and Hammer”) plant. Three years of protests over wage arrears and plant closure would prove fruitless, and in 2004 authorities closed down *Serp i Molot*, laying-off the last remaining 300 workers (down from 17,000 at the beginning of transformation; *Yednist’* November 2003). Years of demonstrations, road blocks, clashes with the police, but also negotiations with the government failed to rescue the plant or to fully return wage arrears, despite the government’s publicly-stated commitment to support workers’ demands (*Yednist’* September 2003). *Serp i Molot*, producing engines for farm machines, was also somewhat of a relic of the situation in the 1990s – a large, state-owned enterprise, with no future due to the collapse of its main clients such as Ukraine’s farm-machine plants (*Ibid.*). In contrast, ZAZ was a privately owned enterprise, had seen investment and an owner successfully lobbying the government for measures to protect ZAZ from external competition by raising import tariffs (Zon 2000). Next to its own production of Ukrainian cars, ZAZ assembles cars of some of the world’s top producers, such as Mercedes, Renault, GM, and Russian car-manufacturer VAZ (personal observation, fieldwork 2007).

The rise of ZAZ is important because of the private owner’s support for union-managed provision of social benefits at the plant. Step-by-step, ever since taking over the plant in 2002, the new owner has re-introduced many welfare elements at the plant.³² Management extends about Euro 1m a year in funds for the union to administer, about four times more than the union collects in membership fees (ZAZ 2005). The result is that management offers the union the possibility of functioning as a distributive, Soviet-type union, instead of an organization representing workers. Also, the line dividing

³² The employer at ZAZ thus resembled increasingly the paternalist factory boss in Burawoy’s (1985: 95-99) depiction of 19th-century Lancashire textile industry. “Factory owners [...] exercised their influence by constructing a communal leisure life around the factory through the erection of swimming baths, day schools, Sunday schools, canteens, gymnasia, libraries and, above all, churches. There were local sports events, trips to the countryside and workers’ dinners at the master’s residence. There were public ceremonies [...] to celebrate [the master’s] political victories. In this way employees came to identify with the fortunes and interests of their employer. What industrial conflict there was, particularly strikes, had a ritual, pacific quality” (Burawoy 1985:97).

management from union is very thin at ZAZ: The current trade union chairman is the plant's former production manager (something that violates the ASMU statute, ASMU 2005: 7).

Marginalization of Conflict Within ASMU

One important divide in the world of ASMU lies between automobile plants such as ZAZ, the truck plant in Kremenchuk, and the bus-plant in L'viv, and the plants specialized in farm-machines and spare parts. The former, led by their general directors, united in a powerful lobby in 1997 to convince the Kuchma-regime to protect their markets by extending credit to consumers or by setting up tariffs to protect them from external competition (Yegorov 2004). Furthermore, these plants – and especially ZAZ – continued to rely on production in the form of assembling cars actually produced abroad (cars are assembled to 80% from parts produced elsewhere, *Ibid.*). Companies such as ZAZ and the car plant in Lutsk – now Bohdan Holding – nowadays function more as gate-keepers of the Ukrainian car market, allowing car imports to enter the Ukrainian market mainly by passing through their assembly lines (*Ibid.*).

Farm-machine plants were less lucky for one major reason. In the absence of a powerful lobby, the Kuchma-regime privatized most of these plants (some 38) under a fraudulent scheme in 1998, allowing shares to be siphoned-off to off-shore companies that postponed any investment in production (*Kommersant*, April 5, 2006). Later in the 2000s, property rights over some of these plants came under intense dispute between various business factions. Most often such disputes were settled only by selling assets and closing down operations, but in a few cases – such as the combine plants in Kherson and in Ternopil' - these plants nevertheless survived (*Delovaya stolitsa*, September 10, 2007, and October 27, 2008). The market for farm-machines is – in comparison to the car-market - highly dependent on credit to consumers, something that led to problems even in the few cases where new, private owners showed some interest in production (*Schodenyi L'viv*, October 23, 2008). Counting on government aid to extend credit to consumers and producers, private owners would be left without any such credit as soon as a change in political power would take place (this happened in Kherson, but the owner of the plant owns at least one other factory plagued by the same problems, the farm-machine plant in L'viv, *Delovaya stolitsa*, June 10, 2008; H1 2008). Table 2.2 below offers some evidence for the farm-machine sector's much more difficult existence in comparison to the situation of car production; while the production of cars increased fourfold in 2003-2007, the production of grain combines is decreasing.

Table 2.2: Machine-production in Ukraine, 2003-2007

(the table does not cover the entire spectrum of machine-production in the country)

	2003	2004	2005	2006	2007
Grain combines	101	305	308	-	137
Passenger cars (thousands)	98,3	174	192	267	380
Buses	2558	2598	4655	7660	9127

* Data are confidential according to the Law on State Statistics of Ukraine as in that year (2006) there were only two enterprises left that produced combines in Ukraine. I estimate production at around 200, given that in 2006 Kherson did not produce any combines, while in the previous ones it produced around 100 per year. Source: State Statistics Committee of Ukraine.

The result of the state's low support levels was that private owners in the farm-machine part of the industry had less or no money for supporting social benefits schemes, and therefore at these plants there was more potential for contention and militant worker action. For instance, the 'success-stories' of ZAZ and the truck plant in Kremenchuk have filled the pages of the ASMU newspaper - *Yednist'* - for several years, with *Yednist'* editors emphasizing how unions at these plants get along with employers without experiencing any contention. These stories stand in dark contrast with an equally long-lasting type of reporting regarding the dramatic worker protests at the combine-plants in Ternopil' (2006-2007), Kherson (2006-2007, 2008-2009), and the Ball-Bearings Plant in Vinnitsa (2002-2003, 2006, 2007, 2008-2009), all plants where employers have failed to support social benefits schemes and consequently experienced more contention. The empirical chapters will show how conflict-ridden these plants were throughout the 2000s, with conflict escalating into strikes and one factory occupation that the press reported but that did not make it into the official strike statistics. ASMU left all these plants to fight in isolation; for instance, while in 1999 the ASMU central leadership directly took part in solving a conflict at the Vinnitsa Ball-Bearings plant, the new leadership, elected in 2000, would not show support for its plant-level organizations anymore (for instance, by trying to get directly involved in negotiations with employers). The ASMU leader did not travel even once to any of these conflict-ridden sites, leaving the regional organizations to fight these battles without the support of central-level unions (to which they were paying part of their dues).

The developments at the plant-level – trade union organizations hardly able to pose any threats to employers – are echoed also at the national-level. The Orange Revolution in 2004 seemed to bring some new blood to the trade union scene. First, the KVPU – and especially the miners' union NPGU – mobilized in support of the Orange political parties, something that meant that the government would show less hostility towards trade unions than in the times of the Kuchma regime, when the head of the Ukrainian Secret Service called the unions a threat to national security (Kubicek 2004). The declarations of both the new president of the country, Victor Yushchenko, and of Yulia Tymoshenko, the head of government in 2005 and in 2007-2010, welcomed an increase in the role of trade unions in society (and specifically in the enforcement of labor legislation).³³ The FPU, too, showed signs of independence: The Orange Revolution brought a change in leadership at the top, with the new leaders mobilizing an unprecedented crowd of some 15,000 in a 2006 anti-government demonstration in Kyiv, the highest number that the FPU mobilized ever since the early 1990s (the workers came from the FPU's regional organizations from all over the country, *Kommersant*, May 25, 2006). This deserves attention, since it shows that workers trusted the FPU enough to follow its call in 2006 and rally under FPU banners.

Yet these developments actually meant little on the ground, with the FPU continuing to support the social-benefits model and social partnership at the explicit expense of tactics that would prove to the government and employers that the FPU could be a threat to their policies and would therefore deserve more recognition. As a result, the FPU fell prey to a new crisis in 2008: First, one FPU vice-chairman was arrested on corruption charges, prompting the resignation of the FPU president. Second, a new and nebulous self-proclaimed trade union organization, copying the name and insignia of the FPU, launched an attack on FPU property to capture the latter's headquarters and documents in November-December 2008 (A3 2008, *Kommersant*, November 19, 2008). In this context, with a leadership paralyzed by fighting to stop what was virtually a take-over and by struggling to elect a new chairman, the FPU could do little to mobilize workers to protest over the worsening of living standards

³³ In a meeting with FPU leaders in early 2008, President Viktor Yushchenko criticized the FPU for failing to defend workers' rights: "Less than 20% of workers believe that union membership actually defends their rights. And it is a question of honor for you to increase this indicator", said the President, also criticizing the FPU for failing to even try to influence government politics in any policy area (*Kommersant*, February 1, 2008). For an overview of the relations between prime-minister Tymoshenko and the unions (FPU and KVPU), including the practice of inviting union leaders to government meetings, see *Kommersant*, April 29, 2009.

brought by the economic crisis; in a demonstration organized in December 2008, the FPU rallied only about 4,000 people in Kyiv (the FPU had expected some 15-20,000 participants, *Kommersant*, December 24, 2008). Furthermore, the FPU does little to support the plant-level units undergoing serious crises in their relationships with owners: Wherever the economic crisis caused problems such as wage arrears and mass layoffs, struggling workers had to represent themselves all alone, despite being members of the FPU (this happened at the L'viv Bus Plant and the Kherson Harvester Plant).

2.4. Conclusion

This chapter presented an overview of developments in worker-initiated contention around transformation in two post-communist countries. It has argued that there is wide variation between and within countries in how Eastern European labor reacted to the deterioration of worker living and working standards in the aftermath of market reforms. It has showed that while Romania has seen fierce conflict between a trade union scene capable of mobilizing workers on one side and employers and governments on the other, Ukrainian trade unions have been much less interested in attempting to mobilize workers around challenging transformation-linked policies, at least in the manufacturing sector. After two peaks in protest activity in the form of strikes at the beginning of transformation and around 1996-1997, labor returned to a less disruptive approach to industrial relations. This might seem a result of Ukraine's industry seeing less restructuring than the industries of the country's western neighbors. In order to challenge this view, I included in this chapter a discussion of ASMU, the large industrial union in machine-building. Despite seeing a drop in employment similar to what we have seen in heavily restructured industries in Romania, the ASMU has also steered away from the contentious approach that had characterized the industry around the mid-1990s. But contention and conflict never truly disappeared from the industrial relations scene, not in Ukraine and also not in the rest of post-communist Europe. Either marginalized in farm-machine plants in the world of the ASMU in Ukraine, or omnipresent in Romanian manufacturing, contention is present in various forms, from official work conflicts and law suits to strikes and factory occupations. The cases that this dissertation will discuss in the empirical chapters are episodes of contention in which workers and trade unions not only protested over the worsening living and working conditions, but also did so effectively, by preventing further deterioration or even reversing it. The dissertation studies precisely those trade unions that overcame the difficulties mobilizing workers, posing threats to employers, and breaking out of isolation identified in the previous chapter. The next chapter offers a theoretical answer to the question how unions can effectively defend the interests of workers when confronted with these structural difficulties.