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

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Chapter 4: Struggles at the Plant

4.1. Introduction

This chapter presents five case studies, episodes of contention at two Romanian and two Ukrainian plants. These are all episodes where unions and workers – and sometimes workers alone - protested over issues concerning the everyday functioning of the plant: pay, working conditions, or management’s treatment of the workers. The next chapter deals with situations where workers protested over the closure of their plants.

The purpose of this and the next chapter is to identify within each case study what led to the success or failure of union action. I will return in Chapters 6 and 7 to discussing the importance of the empirical cases for the theory of labor strategy developed in Chapter 3. During the contention episodes presented in this chapter trade unions deal with worker demands for timely or higher pay and better working conditions. As hypothesized, it is expected that labor strategy will not rely so much on outside support (and particularly state intervention) as in the case of the unions in the next chapter, which struggle for the survival of the plants and of the workers’ main basis for their livelihoods, their jobs. The episodes presented below underline the strength of the unions’ preference for conciliatory interaction. Confronted with structural difficulties when it comes to striking, mobilizing, and breaking out of isolation, and – in the Ukrainian context – offered the choice of running social benefits rather than representing workers – unions are expected to prefer conciliatory approaches to disruptive ones such as strikes, work interruptions, or plant occupations. In practice, however, what actually happens during the contention episodes discussed below differs from the expectation of no disruption, with unions threatening strikes as they find ways to evade some of the costs associated with them.

The logic of presenting cases – contention episodes – in this empirical chapter is that of starting from the least complex cases in terms of the limitations faced by unions. In the first two (Romanian) cases autonomous unions face employers over issues of timely or higher pay and layoffs; unions are constrained to refrain from strike actions as strikes might push employers to relocate their businesses or the costs might prove too high for workers. The two cases show how unions find ways to threaten the employer without risking triggering the employer’s decision to close the plant (given the high investments that these plants require in order to make a profit again, it was generally not expected that the employer would be able to sell the plant instead of closing it down).

The next (third, Ukrainian) case introduces a severe limitation to union action – management control over union funds and ranks, and studies how contention emerges at a plant organized by a distributive union and how the union responded to contention from below. The union operates in an environment where it is extremely difficult to act autonomously of the employer: Top union leaders are former managers and have offers of returning to management jobs. The union relies on management funds that allow it to administer social benefits rather than interfere on the workers’ side in the episode of contention under study. The case shows how the employer’s extension of social benefits to the union leads to an outcome where there is no labor representation.

The last two cases - this time both located at the same plant - introduce an element that disrupts distributive unionism: the wage arrears crisis, severing the links between management and union and pushing the latter to respond to pressures from the workers. In the fourth contention episode management fails to pay wages and creates a situation that unites workers and union. Workers strike over the issue of wage arrears and the union joins them as it receives no more funds from management to administer as social benefits. However, once the crisis of wage arrears is solved, the employer signals its readiness to return to the provision of social benefits to workers via the union: In the fifth
episode, with foremen controlling union ranks and elections, the union accepts a change in leadership and takes up again the task of providing benefits rather than representing workers.

The case studies have the following structure. Each case study of contention episodes aims to show how unions and workers at these plants struggle with specific structural difficulties, and whether and how strategy helps them overcome these difficulties. I will start the case studies by presenting background information on the plants and contexts of each contention episode, the plants’ post-communist history, and how this history translates into structural difficulties for labor. Then I will present the responses of labor: whether and how workers and union reach a shared definition of the situation; what course of action follows from the definition of the situation and, specifically, how labor constitutes, communicates and enforces threats to employer and state.

The table below presents a first overview of the contention episodes studied in this chapter. It offers the following details: the contention episodes, named after the plant (including its location and duration), the name of the private owner during the contention episodes studied, and the size of the workforce throughout transformation (to give an idea of the extent of restructuring). It also mentions the union name and affiliation (at industry and national levels).

### Table 4.1: Overview of Plants in Chapter 4
( Abbreviations explained throughout chapter)

<table>
<thead>
<tr>
<th>Contention Episode (Plant name, duration)</th>
<th>Owner and city/country of origin</th>
<th>Workforce size</th>
<th>Union name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siderurgica, Hunedoara (Romania) 2003-2009</td>
<td>LNM Holding (UK/The Netherlands)</td>
<td>20,000 employees in 1990; 2,200 at time of fieldwork</td>
<td>Siderurgistul, member of Metarom/Cartel Alfa</td>
</tr>
<tr>
<td>COS, Târgovişte (Romania) 2004-2009</td>
<td>Mechel (Russia)</td>
<td>20,000 employees in 1990; some 3,900 since privatization</td>
<td>SLI, member of Metarom/Cartel Alfa</td>
</tr>
<tr>
<td>ZAZ, Zaporizhia (Ukraine) 2007-2008</td>
<td>Ukravto (Ukraine)</td>
<td>22,000 in 1990; 16,000 presently</td>
<td>ZAZ, member of ASMU/FPU</td>
</tr>
<tr>
<td>KrAZ, Kremenchuk (Ukraine) 2 contention episodes in 2003-2004 and 2005</td>
<td>MegaMotors (Germany/Ukraine)</td>
<td>Some 13,000 in 1990; 6,900 presently</td>
<td>KrAZ, member of ASMU/FPU</td>
</tr>
</tbody>
</table>

The first union presented here underlines the point of the strong preference for conciliatory approaches, especially since one can compare the strong change in the union’s protest behavior before and after privatization. Privatization is the moment when one structural difficulty – posing threats to the employers – suddenly becomes extremely relevant for the union, before privatization one of the country’s most strike-prone.
4.2. Siderurgica in Hunedoara, Romania

4.2.1. Plant Background and Labor Representation

The Siderurgica plant, established in 1882 (Turnock 1970: 542), is located in Hunedoara, an isolated town of 80,000 inhabitants in the mountainous county of Hunedoara. The county economy’s dependence on metallurgy and mining became acute under the communist dictatorship. Starting with 1949, these branches went through an intense period of development, drawing into the county’s towns many workers from Romania’s East. Hunedoara became the most urbanized county in Romania, with more than 70% of the population living in towns. The county is a hotbed of worker militancy; miners here organized a strike and protests despite harsh repression even under the dictatorship, in 1977. Shortly after the 1989 revolution, partly instrumental to political interest groups in Bucharest and partly driven out of their Jiu Valley by worsening living and working conditions, miners were responsible for most of the social unrest that shook Romania throughout transformation.

Metallurgy underwent similar turmoil. Siderurgica used to be the country’s first and biggest steel mill, nationalized in 1938 and developed by the communist government into Romania’s main steelworks in 1949-1964 (Turnock 1970: 549). Employing in 1990 some 20,000 workers, it entered a period of restructuring that left it with less than 1,000 workers today. Restructuring started in 1997 with the transformation of some of the plant’s less needed shops (construction shops, repairing, etc.) into autonomous enterprises but keeping Siderurgica as the main share-holder. Many other shops were closed, such as the Siemens-Martin oven or the coke plant.

Picture 1: Ruins of the Siemens-Martin oven towering over Siderurgica in Hunedoara, Romania, November 2007 (taken by the author)
Throughout transformation, the *Siderurgistul* union pushed the government to support the plant through a variety of spectacular and often violent actions. Governmental support took the form of investments in technology and subsidies for energy and iron ore suppliers. The union had to fight for all these concessions. It supported restructuring, but insisted that any layoffs take place only under its conditions: that layoffs be phased over several years, that the government pay for severance payments and workforce re-conversion programs, and that it pay for the costly technological investments needed to make the plant viable. When the government chose to impose its own restructuring plan in 2000, the union fought that plan bitterly. It organized road blocks and occupied the governor’s office and the plant. Eventually the government gave up its plan and accepted to invest in technology.

The government finally sold the plant in 2003 to the LNM Holding (LNM stands for Lakshmi Narayan Mittal, the company founder and owner), at that time one of the world’s top steel producers. It accepted the investor’s condition of handing over the enterprise with only 2,000 employees (instead of 8,000 at that time). The government managed to impose this reduction in the workforce after clashes between workers and police, and the taking into custody of all 18 union leaders. The LNM promised not to decrease the number of workers any more, and even to hire back some of the laid-off, if production would increase. As we will see, the employer did not keep this promise (*Adevărul*, November 12, 2003).

Privatization was apparently the end of a period of intense militancy, unparalleled by any other union in my two-country sample. The union in Hunedoara was ready to go further than other unions and its repertoire for developing threat potential was very vast; it ranged from conventional strikes, sit-ins at the plant, road blocks, to the threat to kidnap international sportsmen, an attack on the ruling party’s headquarters, and the occupation of the local governor’s office. Romania had a long history of violent conflicts initiated by miners and other workers (machine-building in Brașov and metallurgy in Iași, where workers threatened to blow up their plant). Authorities therefore did their best to counteract union actions (*B4* 2007). For the union, this meant that it had to carry through such actions under conditions of maximum secrecy and evade the presence of police informants, something that, again, it achieved.

The moment of privatization changed everything. In their discussions with me, union leaders tried to portray themselves as highly conciliatory; this is so partly because they felt that using the same methods against private owners as against authorities prior to privatization would be illegitimate and would lack workers’ support, and partly because they perceived their ‘bad’ reputation as an obstacle in negotiations. To cite the union’s main leader: “We wanted to prove that Hunedoara is a socially governable area” (*H1* 2007).

As to labor interest representation, the union manages to keep wages above the wages at any of the country’s other big steel mills. Wage increases are the result of negotiations; these negotiations took place at least three times in the context of strike threats – in 2004, 2007, and 2008. Union leaders, however, feel that they have failed so far to defend members’ interests after privatization (*H1*-*H3* 2007). Despite wage increases, the union could not do much on issues such as employment and working conditions; for workers these are the biggest issues. The layoffs taking place at the plant ever since privatization and causing a decrease from 2,500 to 700 workers nowadays (layoffs hidden under the façade of voluntarily resigning from the job) are an issue that leaders admit to have been clueless about how to address (*H1*-*H3* 2007). Worse, their attempts to tackle the issue not only failed but have backfired and hurt remaining workers (as discussed further below).

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62 According to a document from 2007 released by the employer’s association in metallurgy, workers in Hunedoara have a “minimum revenue” that is higher than what workers at the other big plants get (the other plants that employ similar – or higher - numbers of workers are located in Reșița, Târgoviște, Câmpia Turzii, Roman, and Galați). See UniRomSider, October 2007, “Situatia salariala la data de 17.10.2007, indicatori pentru muncitori calificați” (in Romanian) [The Wage-level situation on 17.10.2007, indicators for skilled workers].
The table below sums up the situation of labor representation at the plant. The union is capable of autonomous action. It is a Cartel Alfa founding member, meaning that it was a union that emerged in opposition to the former UGSR-organization, the communist-times union administering social benefits instead of representing workers. Employers (public and private) throughout the 20 years after the fall of communism regarded restructuring – decreasing the size of the workforce – as their main priority, something that fostered conflict with the union and strengthened the union’s autonomy. The union fails, however, to address the workers’ main demand: work overload – and is therefore listed as failing to be effective in the table below. The union achieves wage increases for workers, something that prevents workers from getting back at the union. Instead, workers show their dissatisfaction with conditions at the plant by choosing to leave the plant together, as we will see below.

Table 4.2: Labor representation in the case of Siderurgistul, the union at Siderurgica Hunedoara

<table>
<thead>
<tr>
<th>Autonomy</th>
<th>Legitimacy</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Input: High</td>
<td>Low</td>
</tr>
<tr>
<td>(No social benefits to administer for the union)</td>
<td>(Union open to demands from below)</td>
<td>(Union does not solve key worker demand over workload)</td>
</tr>
<tr>
<td></td>
<td>Output: Low</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(Workers do not accept outcomes of union actions and continue leaving the plant)</td>
<td></td>
</tr>
</tbody>
</table>

Today the plant bears the name of Arcelor Mittal Hunedoara; I will refer to it as Siderurgica, the old name of the plant and also how the people I talked to still call it (and also the plant’s international listing). Managers, all Romanians with the exception of a few consultants, are all appointed by LNM, not Arcelor, so I will refer throughout this text to LNM, not Arcelor Mittal, as the management and the employer.

The plant makes a profit since 2006. This is the result of: a pre-privatization restructuring program that meant a 90% workforce reduction; a 1999 government investment in changing the plant’s technological basis from iron-ore-and-coal-based Siemens Martin technology to scrap-iron electric ovens; and the rise in the world price for steel that has characterized steel markets from 2002-2003 until 2008.

4.2.2. Strategy

The union at Siderurgica, called Siderurgistul (The Metal Worker) is firmly anchored in the reality of structural difficulties for labor action. The union has few problems in mobilizing workers – in its pre-privatization past, the union mobilized workers against the government on many occasions, earning it a reputation as one of the country's most militant. But ever since privatization the union has had great difficulties posing threats to the employer. The biggest difficulties that the union leaders admit facing regard owner intentions and owner power. First, union leaders are not sure about LNM’s plans for their plant inside the LNM empire. Union leaders base their judgments of owner intentions on the following story: They argue that back in 2003, when the LNM bought the plant, it bought it because the government asked the LNM – in exchange for the country’s biggest steel works in Galați – to also take over the plants in Hunedoara and another town, Roman. Therefore, union leaders argue that the privatization of Siderurgica had to do more with political-economic reasons than with purely economic ones; probably, the government forced the LNM to buy Siderurgica (in exchange for selling it the Galați steelworks) in order to stop covering the plant’s losses. The plant went to the LNM through a
secret privatization contract that would prevent the LNM from selling or closing the plant until January 1, 2009. Union leaders fear that this privatization contract is the only reason for their plant’s existence. (H1-H3 2007)\textsuperscript{63}

The union leaders’ fears are appeased only by what little investment LNM has made at the plant, buying new machines for the main electrical oven in September 2007. Actually this investment pushed the union into its biggest strategic dilemma: If the LNM has some plans for keeping the plant, how far can the union push workers’ interests without shifting LNM intentions in the direction of closing the plant?

The union’s second difficulty relates to finding means to threaten employers. Means used against the government do not work against the LNM. This is so because of the unequal distribution of costs between owner and union should the union turn to strikes or other violent means, because of the European Union (EU)-monitoring program for Romanian metallurgy. If the country’s six biggest metallurgy plants had failed to become “viable” (profit-making) by 2009, their current owners would have had to return all state-aid that the plants received since 1990. Among the six plants were the steel works in Reşița, Târgovişte, and Hunedoara. This, of course, pressured management to obtain positive results at the plant, but it did not place the union in a good bargaining situation. If the plants had failed to make a profit by 2009 – for instance because of strikes - the return of state-aid would have meant the bankruptcy of each of these plants, the disappearance of the union, mass unemployment, and a severe blow to local economies (in all three towns the steel mills are the main employer and budget contributor).\textsuperscript{64} If it would strike, the union loses infinitely more than the employer does. With the plant in Hunedoara just a small drop in the LNM ocean (1,900 workers at the time of fieldwork – November-December 2007, while LNM worldwide employs 320,000 in 60 countries), the owner will not care much about the plant. But loosing their jobs in a monoindustrial town would mean losing everything for the workers. When facing the government, it seemed that the union’s chances of success were proportional to its militancy and the disruptive nature of its actions; now, this relationship seems reversed.

The union was incapable of solving the workload problem. Even worse, as I argue below, the actions pursued by the union to solve the problem only worsened the workers’ situation. In this context, the union’s only achievement in terms of strategy was to avoid becoming a target for worker discontent despite doing only little to solve the workload problem. The union obtained wage increases from management to appease workers and thus channel worker discontent from taking action against the union towards leaving the plant. In the rest of this section, I show how Siderurgistul tries and fails to solve the problem of work overload. The reasons for failing are to be found less in the union’s support among the workers – I argue that workers and union leaders share the same definition of situation and the workers participate in union-led disruptive actions – but in the failure to constitute threats. Specifically, the problem lies in the fact that the employer – one of the worlds’ largest multinationals – is simply too big to care about the little disruption that the union can achieve in Hunedoara. However, local management does care about the union disruption attempts and is willing to grant limited concessions.

\textit{Tackling the problem of work overload}

I arrived in Hunedoara in the middle of a conflict between management and union: In November 2007 management attempted to shut down two shops at the plant and lay off 280 people. Union leaders relied on the argument that the closure of the two shops would constitute a breach of the privatization contract that would prevent the LNM from selling or closing the plant until January 1, 2009. Union leaders fear that this privatization contract is the only reason for their plant’s existence. (H1-H3 2007)\textsuperscript{63}

At the time of fieldwork – 2007 – it was impossible to know what would happen with the plant after the end of this contractual period of protection. But the January 1, 2009 deadline has passed at the time of writing, and the plant still exists.\textsuperscript{64} In the end, all six steel-plants survived the year 2009 and successfully met the EU report targets prior to that year (and the world economic crisis).

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agreement. They thereby thought to have a legal cover for action that they expected would lead to success (H1 2007). Instead, not only did the union lose the battle, its involvement led to a worse-off result for the workers.

Union leaders criticized management’s arguments that the two sections were not profitable, claiming that it was because of management that the sections were not profitable (H1 2007). For instance, they accused management of failing to organize security to guard the laminar sections; this led to massive theft, a problem well-known at Siderurgica.65 The union picketed the governor’s office, and in response the governor sent out the police, labor control, and State Property Fund to check the legality of management actions. Consequently, the State Property Fund – back then still represented in the Shareholders’ Assembly for the LNM to close down the shops. The LNM responded by paying the 280 workers to leave and stopping production at the two shops without officially closing them down. In the end, the shops de facto no longer work while the workers are left with less benefits than they would have gotten in case of a collective layoff (because they left “voluntarily”, they do not qualify for unemployment benefits). Had the union not intervened, they would have been collectively laid off. Ever since November 2007 the union has not attempted to fight layoffs anymore. Also, ever since 2007, the LNM has preferred to lay off workers by paying them to leave “voluntarily” rather than by collective layoffs, further reducing the workforce to 700 people (September 2009).

Other attempts to directly fight the work overload problem also proved fruitless. For instance, the union has contacted labor control authorities, but these have proven powerless in front of the employer. Authorities can only fine the LNM and the fines are too minor to scare the employer, who gains more from laying off workers than it loses from paying fines (as long as one does not take work interruptions due to accidents into account, but there were no such accidents until summer 2009). The union’s plan was to work via the national union Cartel Alfa to support legislation giving labor control more power. It did not want to give labor control powers to fine more, as fines are eventually paid by workers, but instead prefers an increase in the powers of labor control to sue managers (H1 2007). These actions, however, failed to bear any fruits.

A partial way out
The workload issue is problematic for the union for the following reason: First, the increased workload pushes workers to leave the plant, and leaving workers only increase the workload for the remaining ones. This leads workers to pressure the union to act on the workload problem. The union therefore has to find a solution to limit worker dissatisfaction, so that such dissatisfaction does not translate into a decision to join any competitor of the union or to violently protest against the union leadership (something that happened on several occasions in the recent past). The solution also had to avoid hurting the enterprise so much as to make it miss the targets agreed with the European Union (and prompt the plant’s closure). The union found such a solution by carefully addressing and calibrating threats.

65 One union vice-leader told me that people steel more today than they used to in the 1970s, when people shared an “ethos” of the plant, while now “no one minds stealing from the rich guy [Mittal]” (H3 2007). Schemes to steal materials from Romanian metal plants - and especially iron and steel - have made the headlines in newspapers for years, if not for decades. In the 1990s, the center-right government had declared itself incapable of putting an end to the “iron mafia” (R3 2007.) In 2006 the situation seemed to be changing. After the new center-right government threatened it with the dismissal of all officers would it fail to stop theft at Siderurgica, the police in the counties of Alba and Hunedoara mounted one of their biggest operations; 280 special troops arrested 49 people in July 2006. This did not, however, put an end to thievery schemes, although it diminished them as criminal networks lost their leaders. The police operation could not address a main cause of participation in stealing, the county population’s extreme poverty. For instance, during theft operations most work would be done by so-called “nephews”, young people who were paid 30-50 Lei/operation (10-15 Euros) and would steal 60-100 kg iron/night each, transporting it physically over plant fences and through the river (regardless of the time of the year). Sometimes as many as 100 people participated in such operations, fighting off workers and security guards who were not part of the scheme. See the article in Servus Hunedoara, October 18, 2007.
The union acted on information suggesting that decisions over workforce size are made at the level of the multinational, while wages are within limits at the discretion of local management. Following this information, the union explicitly *addressed* its threats to management, rather than owner. It also *calibrated* these threats so as not to threaten the plant’s well-being (such a threat would hardly have been credible), by limiting strikes to warning strikes and strike threats. The union made strike threats on three occasions, all of them regarding wage levels. It also went on a warning strike of a couple of hours in March 2004. The action was part of a branch-level strike, aimed to push negotiations for a new branch-level agreement. That year, six months later, union and management signed a collective agreement (in October 2004). The union made a second strike threat in early 2007, when it was unhappy with the level of wages (the national average wage had risen by 30% at the beginning of that year, something that did not happen also at *Siderurgica*). In order to force negotiations, the entire Metarom-team met in Hunedoara. (Metarom is the Cartel’s branch organization in metallurgy.) They threatened with a branch-level strike, should the employer fail to meet their demands. This proved enough to re-launch negotiations and secure the wage-increase (*stiri.portal.ro*, May 18, 2007).

A third strike threat was issued in February 2008, when the union threatened to strike because management reduced the number of working days per week at the plant (from six to five days), thus reducing worker income. It accused management of violating the collective agreement (the reduction involves a change from four to three shifts per day, something that is illegal according to the collective agreement). The union walked away only after securing a wage increase from management (*Cronica Română*, February 26, 2008).

The strike threats occurred in a climate of acute dissatisfaction over the workload issue. The union tried to channel some of the discontent over workload into discontent over wages, and deliver as much as it can on the issue of wages. Strike threats worked out when the issue was wages but did not work over workload matters. The question is, why? The overburdening workload is mainly the result of workforce reductions. While it is the local management that decides over wages, decisions over workforce reductions were made at higher levels and had apparently been made at the time of privatization. LNM pursued a productivity of 500 tons per worker, and apparently tried to achieve it mostly via layoffs and less via investments in technology.\(^{66}\)

At least once the union could turn its discontent with workload into a wage increase without threatening to strike. When management refused to grant workers the extra compensation for overtime in December 2006, the union sued management, and the latter offered a 6% wage increase to settle the law suit (H1 2007, H1 2008).

It seems that what the union can ask for in exchange for accepting layoffs and workload problems is wage increases. However, this does not solve the number one problem of workers at the plant - workload; it is for this reason that I list this union as not successful. What is even worse for the union is that ongoing layoffs only increase the workload problem for remaining workers; these workers then decide to leave, again increasing the problem for their colleagues who stay at the plant. Whenever there is a new call for “voluntary leaves” there are more workers signing up than management is willing to let go.\(^{67}\) One of the workers told the press: “I was not interested anymore in staying at the

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66 The target for 2008 was 300,000 t of end-products (roughly around 130t/worker), but the plant missed it because of the economic crisis that began in 2008. The crisis led to the interruption of production at the plant for the first time in 80 years (the last time it stopped was due to the Great Depression, according to the plant’s director). It can be calculated that in 2008 *Siderurgica* was far away from the 500t/worker target. For instance, at the LNM’s steel plant in Galați, the country’s biggest, most productive and most profitable plant, production did not exceed, according to my calculations, 298t/worker in the peak-year 2007 (4.3m tons of crude steel, 14,400 workers); since Galați is responsible for 70% of Romania’s steel production, figures at other plants can only be smaller. The figure of 500t/worker comes from an interview in the local press with a public relations firm hired by LNM to communicate its strategy in 2005 (*Replica*, September 1-7, 2005).

67 I found evidence of this – in the form of press articles, most of them collected by the union – as early as 1999. The last time that similar news showed up in the press was in June 2008; management had 70 places for “voluntary leaves”, and more than 200 employees (engineers, foremen, workers) signed up. See *Cotidianul*, June 24, 2008.
plant because I did not like at all what was happening: Out of 1,800 people 1,400 stayed, and the outlook seems to be 800. This is where the incompetence and incoherence of those who managed this plant [combinat] brought us.” Another leaving worker, 49 years old, stated: “Staying would have been humiliating. They would have sent me to [do] the lowest work. It’s not about [my] pride, but about [the fact that] down there they need strong, young men, while I couldn’t keep up with them. I’m worried about my younger colleagues. I don’t know what they will do.”

The basis for the union’s strike threats remains its power to mobilize workers via a shared definition of the situation. One proof that union and workers are united is the failure of union splinter groups to pose threats to the union. Ever since the start of restructuring in 1997 there were several splinter groups that emerged in opposition to the union’s support of restructuring. The most vocal of them – and the only one to be active also at the time of fieldwork - established itself as a branch of the radical Solidaritatea [The Solidarity] “Virgil Săhleanu” (SVS) union in Galați, taking up the name of murdered Romanian trade union leader Virgil Săhleanu. In Galați, SVS organizes a number of workers that is unknown but high enough to bring the entire coke plant in Galați to a standstill via an illegal strike in early 2008 (some 3,800 workers signed up in support of the strike, out of a total of 15,000 workers at the steelworks in Galați). SVS, however, does not command similar numbers in Hunedoara. At the only public action it organized when I was in Hunedoara, a picket, SVS could not draw more than 15 people altogether (and four were from another plant with SVS presence, see Mesagerul Hunedorean, October 17, 2007).

Participation in Siderurgistul-actions is much higher, and such actions even became disruptive on several occasions. Participation shows that the union still enjoyed considerable support among workers. For instance, in October 2007 the union took action against the company to which the LNM had subcontracted the transport service. Workers were extremely unhappy with transport conditions. The buses were 30-years old and had holes in the rooftops letting water and cold in. At least 120 union members blocked the busses (according to Agerpress, while Servus Hunedoara gives a number of 350 participants, October 2, 2007). In the meantime, the union had alerted the police and the press. As a result, police took the company’s license away (Agerpress, October 2, 2007). In this episode, the union was very careful in calibrating the threat: It was preoccupied with presenting the incident not as a direct confrontation and declined responsibility for it, instead portraying itself – as did union leaders in my interviews – as giving in to worker demands rather than leading them (H1 2007). The union was also careful not to hurt and also evade accusations of trying to hurt production, but to demonstrate that it can disrupt how management runs the plant and that workers support it in doing so.

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68 I also interviewed the first worker, a founding member of Siderurgistul, during my fieldwork (H4 2007); it was a surprise to hear that he left the plant. Both excerpts are from ziare.ro, February 16, 2008.
Another solution was to force management to grant workers higher severance payments in case of conventional mass layoffs, and thus motivate workers to demand conventional mass layoffs rather than participate in “voluntary” schemes. This way, workers would be better protected, also qualifying for one year of unemployment benefits from the state, something that they do not receive in case of “voluntary” leaves. In fact, for management this would mean that it could carry out no more layoffs without the union’s approval. The union nevertheless achieved the negotiation of corresponding clauses in the new Collective Agreement in November 2008. As a result, management was temporarily forced to stop using voluntary leave schemes. Later on, however, probably intending to gain back the control over layoffs, management topped the “voluntary” leaves offer to beat the one in the collective agreements. Management gained the upper hand only when it raised benefits included in the severance payments for voluntary leaves by enough money to exceed the sum workers would get as unemployment benefits. Starting with December 2009, voluntary schemes caused another significant drop in employment, reducing the workforce from some 1,300 in late 2008 to 700 (Servus Hunedora, April 13, 2009). Union leaders could only decry in the local press the violation of the collective agreement (Servus Hunedora, February 24, 2009).

The figure below shows an overview of employment numbers throughout restructuring at Siderurgica. The (dark) blue line shows the actual development of employment, with the number of workers dropping from over 20,000 in 1990 to 700 in September 2009. The red line shows the figures agreed upon by union and state management in 1997, the development of employment had the government respected its restructuring plan for Siderurgica. The (short) yellow line shows the restructuring plan of the State Property Fund (in 2000 the actual owner of the plant), intending to bring in the context of the current crisis, this reduction in the workforce was not felt as much as an increase in the work overload: production at the plant stopped on several occasions – for the longest time in February-March 2009, for six weeks - and management cut the number of working days (Servus Hunedora, March 17, 2009). However, after the workforce reduction, something happened that union leaders warned me about many times during the interviews (H1-H3 2007), and the last time in an open letter to the government (Open letter to the Government, March 17, 2009). An accident caused production to stop in June 2009, when 100 tons of liquid steel flowed out of a container and set the main production hall on fire. Production had just started again, after one month of interruption due to the world economic crisis (Adevărul, June 26, 2009).
the number of employees down by 64% in some 60 days. The union fought this plan and the State Property Plan via a combination of disruptive actions ranging from road blocks to a plant occupation. These actions were successful in convincing the State Property Fund to give up its plan, but later, in 2003, the government imposed the 60% layoff via massive police involvement to lift worker road blocks and take union leaders into custody.

**Figure 4.1: Employment changes at Siderurgica, 1990-2009**

![Graph showing employment changes at Siderurgica from 1990 to 2009](image)

**4.2.3. Conclusions**

Many months after fieldwork I still considered the union in Hunedoara, *Siderurgistul*, a conciliatory one. The reason was that *Siderurgistul* leaders denied to me making any threats to disrupt production on the issues that were the most critical for its members, such as workload (H1-H3 2007). It seemed not to have a source of threat potential at all at the plant. As a result, I thought the union escaped member dissatisfaction via heavy involvement in workforce re-conversion and job creation in town, activities that union leaders presented to me as their solution to the workers’ problems (H5 2007). I interpreted the existence of several splinter groups as another sign that workers are unhappy with the union. Yet this raised more questions than it answered: Why would workers join splinter groups that do not differ from *Siderurgistul* in their choice of methods to tackle the workload-problem? How could workforce re-conversion ever help with worker discontent if the total number of workers re-trained was somewhere around 1,000 (15% of the 1997 workforce, when the program started), and until 2001 only 30% of re-trained workers actually found a new job? How could job creation tackle worker discontent if the program was set up only in 2004 and began producing jobs only in 2007? And most importantly, why did management sign a collective agreement with the union, raising worker revenues above the level at any of the country’s other big plants?

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70 Sources: Restructuring plan as agreed between plant management and union (1997) including author's estimations of yearly layoff rates, various newspapers, fieldwork interviews.
My game-theoretical analysis suggests that uncertainty over the employer’s commitment to production pushes the union onto a conciliatory path; the union’s leaders take this path because they are afraid that militancy might trigger the employer’s decision to close down the plant. In Hunedoara, however, the union is on a conflict-oriented path, despite its leaders’ many statements that they are conciliatory. The union actually made strike threats, in summer 2004 and spring 2007. In 2004 it had even organized a warning strike, and in 2007 threatened to organize a branch-level strike with other Cartel unions. In both incidents, the issue was wage levels. In February 2008, again, the union threatened to strike. I was puzzled that the union goes so far on the issue of wages but avoids any similar threats over workload. And strike threats over wages were effective: Hunedoara workers have the highest wages in my sample (and among the country’s biggest plants). Why does the union get away with it? The union could find out that the decision to close down the plant or not is made at higher levels of management, not at the local level. This leaves the union much room that other unions do not have, because local management shares with the union the uncertainty over a strike's outcomes: Missing productivity targets might trigger the demise of the entire plant, including its management. The union can therefore put local management under limited pressure – through strike threats - without fearing that this will directly trigger the decision to close down the plant. This union might not solve the workers’ most pressing problems, but it nevertheless survives, as it has found that, by carefully addressing and calibrating threats, it can obtain concessions from management and appease worker discontent.

Next is a union at a plant where it was far more difficult for the union to disentangle the owner-management front. At Siderurgica, the LNM employs managers who have spent most of their lives working at Siderurgica before privatization. At the next plant, however, privatization meant not only a change in ownership – with Russian steel-giant Mechel buying the plant – but also one in management, with managers coming from Mechel’s original plant in Chelyabinsk, Russia. Despite a very tense relationship between union and management, the union found a way to constitute its threats so as to target management and hurt it without disrupting production. Similarly to the union at Siderurgica, it enjoyed massive support among workers and was ready and able to strike, but – as it too faced a large multinational and was under EU monitoring – could not afford missing productivity targets. The union constituted a threat that allowed it to block plant accounts and therefore managerial activity at the plant. Rather than a battle over addressing and calibrating threats as in the case of Siderurgica, the struggle of the Free Independents (the name of the union) turned to be about enforcing and communicating threats.

4.3. COS in Târgoviște, Romania

4.3.1. Plant Background and Labor Representation

The Special Steel Works (Combinatul de Oțeluri Speciale, COS) in Târgoviște, established in the 1970s, had like the plant in Hunedoara some 20,000 workers at the beginning of transformation. Today it employs roughly a fifth of that workforce, 4,000 people. It is located in a town similar in size to Hunedoara, with 90,000 inhabitants. The town suffered tremendously during transformation, with tens of thousands of people leaving it and its plants since the fall of the dictatorship.

Just as in the pre-1989 past, the COS is still the biggest employer in town. The situation at the plant was a surprisingly calm one during the 1990s, the exact opposite to the situation in Hunedoara, where the union organized innumerable protests. The COS faced fewer restructuring pressures, given this plant's more favorable location (than the one of the mountain-locked plant in Hunedoara), being
better connected to supply lines and centers, such as the Danube, the Black Sea port of Constanța and the capital Bucharest. The only violent conflict prior to privatization took place in 1997, when workers stormed the administrative building, unhappy with management decisions. The union is aware of its “conciliatory” path throughout transformation, very different from the one followed by unions elsewhere (most prominently in Hunedoara and Reșița). One of its leaders said that they chose to go another way, relying more on using law suits than on strikes and road blocks in their relation to local management (B1 2007). The government eventually sold the COS in 2003 to the Russian mining and steel company Mechel.

Mechel is one of the five biggest Russian steel corporations, with its most important production and iron ore/coal extraction facilities in Russia (in Chelyabinsk and in the Kuzbass region, respectively). By acquiring two plants in Romania and one in Lithuania it began expanding into Eastern Europe and the European Union. Mechel made two recent additions in the steel industry in 2008, by buying two more plants in Romania, in Buzău and in Oțelu Roșu (the latter plant is also part of my sample). Mechel managers declare that the purpose of their expansion is to export raw materials from its Russian plants to the European ones, and then sell in Russia the high-end products of its European plants. Apparently Mechel wanted to avoid overproduction in raw materials in the Russian markets and for that reason was expanding westwards. The evidence to support this claim looks solid; not only did part of the supplies for its plants in Romania and all for the one in Lithuania come from Russia, but Mechel had also pursued an aggressive policy of buying thermo-power stations in Romania and especially in Bulgaria. Mechel supplied these power stations with coal at lower prices than in Russia, something that triggered intense criticism and a fine of Eur 250m from the Russian government (Kommersant, July 25, 2008).

The “Free Independent Union” (SLI) at the COS managed to influence privatization by having the government persuade the new owner to sign a collective agreement with the union (B1 2007-2008). A “Social Agreement” - imposed on Mechel - should have laid out the conditions for the plant’s restructuring, detailing which shops and sections would be closed and how many workers would be laid off in the coming years. This second document, however, failed to materialize. The collective agreement was signed by the new management in 2004 for a period of four years.

Ever since privatization the employer-union relationship has dramatically deteriorated. According to the union, the employer had signed the collective agreement knowing that it would not respect it. Union leaders accuse the employer of having refused to negotiate with the union on any issue, explicitly inviting the union to sue it. The union reports violations of 43 collective agreement articles (the document has 153), and also labor code and other national legislation violations. Local management has indeed refused to raise wages according to national and branch-level minimum wage increases. It claimed that there are far too many workers at the plant, but refused to put forward a restructuring plan. Management preferred to force them to leave one by one by keeping wages close to the country minimum (a cheaper strategy than using collective layoffs, subject to generous benefits

71 “Conciliatory” – as respondents in Târgoviște use the term - does not necessarily mean avoiding to disrupt production (which would be the definition I use), but less reliance on street protests or strikes in order to minimize the costs for union and members. (Interview B1 2008b)

72 See the interview with the general manager of Mechel’s mining subsidiary “UK Mechel”, Vladimir Polin, (Prime-Tass 2008).

73 Interviews T1 2008a, T2 2008a. One big difference between the situation in Târgoviște and the one at other Romanian plants in my sample is that the top-management is not local (Romanian), but Russian. At the other three Mechel-owned plants in Romania management is local. In Târgoviște communication between union and Russian managers is more difficult than elsewhere, taking place only through translators, which union leaders think also further deteriorates relations. Also, xenophobic insults between the two sides are common, with union leaders and members often explaining the difficulties they have with management in terms of the latter’s origin (T1-T3 2008). Mechel runs its four plants in Romania as one company, under the control of the general manager in Târgoviște.
regulated by law and by the collective agreement, in force until December 2008). Consequently, since the moment of privatization, some 1,700 workers have left the plant, bringing down the number of workers to 3,900 at the time of fieldwork (2008), and 3,100 at the time of writing (2009).

The biggest issue to divide management and union was the wage level, and specifically management’s refusal to raise wages to branch- and national-level minimums. The union saw wage increases as the only solution for the increasing problem of work overload: If wages would grow, fewer people would leave. Working conditions are another issue, because they radicalize the workforce. Deadly work accidents and management’s reaction to it (blaming the workers) have angered workers, who initiated spontaneous protests following an accident that left one worker dead in 2007. Work accidents were often followed by “collective punishments” consisting of wage cuts applied to the entire plant because of temporary production declines. Such “collective punishments” pushed members to ask loudly for a strike (Protocol of the SLI General Assembly on August 3, 2007) – something that union leaders tried to postpone, thinking that it bears more risks than benefits for the union (T2 2008). Instead, they pursued a strategy relying on lawsuits, proving in court management’s obligation to increase wages to minimum levels and – after winning the cases – threatening to block the plant’s accounts and management operations. Management retaliated via lawsuits and by freezing membership fee flows to union accounts. In September 2008, however, the plant went on a warning strike, with union leaders giving in to worker demands. Management retaliated by cutting the wages of strike participants (despite the strike being legal), attempting to ban the union from the plant, and initiating the creation of a company-friendly union. Success for the union came in two rounds, in response to the union’s threats of blocking plant accounts. First, in January 2008 management granted a 30% wage increase to all workers, corresponding to the legal national minimum wage. Second, with plant revenues dropping three times because of the economic crisis, management accepted negotiations with the union in August 2009 and granted workers bonuses. It negotiated exclusively with the Free Independent Union and not with the company-friendly union, in an attempt to rule out the possibility of having plant accounts blocked in times of world economic crisis. This change in attitude towards the union occurred after Mechel replaced its entire managerial team in July 2009 with new managers more open to negotiations with the union and unblocked the flow of membership fees to the union’s account. Work accidents at Mechel plants leaving five workers dead in August 2009 (two of them in Târgovişte) caused increased media attention around working conditions at Mechel and might have also contributed to increasing the pressure on management to negotiate. The table below summarizes the situation of the union in Târgovişte in terms of labor representation. (This summary relies on information collected during four fieldwork rounds in January 2008 – Summer 2009.)

Table 4.3: Labor representation in the case of SLI, the union at COS Târgovişte

<table>
<thead>
<tr>
<th>Autonomy</th>
<th>Legitimacy</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>High (No social benefits to administer for the union)</td>
<td>Input: High (Union open to demands from below)</td>
<td>Output: High (Workers accept outcomes of union actions)</td>
</tr>
</tbody>
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The argument in this section is the following: In order to achieve success and force management to grant wage raises and recognize tariff systems, the union had to pursue two tasks. First, it had to find a legal and efficient way of pressuring management – as we will see below, it had to find ways to efficiently calibrate, communicate, and enforce threats. Second, in order to hold out during the

74 The source used here for management’s opinion on employment and pay is the General Assembly Protocol of March 2006.
process of constituting and enforcing threats, the union had to manage the internal tensions stemming from a definition of the situation not shared by all members. Reaching a shared definition was an arduous process, requiring briefly giving up the conciliatory path and organizing a strike, and dealing with the dissatisfaction of parts of the union leadership.

4.3.2. Strategy

At first I thought that the situation at the COS is indeed as the union portrays it: Management always refused negotiations on wage increases. This proved only partly true. It turned out that the union made a choice shortly after privatization, a choice to walk out of the negotiation room following an offer from the general manager that it deemed unacceptable. This is what happened: In 2004 the union asked for a wage increase for the first time. Management accepted to talk about it, but offered to increase the wages of production workers most, and within that category the wages of workers in the electrical oven shop. The union refused to talk about this, insisting instead that all workers at the plant benefit from the pay raise (personal observation of a talk between one union leader and workers, January 2008).

Management’s position on this issue was quite clear (and managers repeated it during union conferences): Management needs to motivate workers to be productive and insists that it has the right to pay most productive workers more than the others. The union, however, opposed such differentiations as they destroy union solidarity. The same happened when management started touching existing worker qualification tariffs and their corresponding wage coefficients – further to be referred to as “tariff system” (an illegal move as worker tariffs are laid out by law). For the trade union – incidentally the only instance at plant level to check whether the law is respected - this proved unacceptable, as the management’s proposal would have disrupted existing hierarchies and replaced them with ones that the union cannot control. This issue would prove tremendously divisive over the period 2004-2008, until management de facto recognized the tariff system by granting the 30% pay raise in accordance with the tariff system.

The union’s refusal to talk about the issue of differentiated pay spurred conflict also within the union. Several union leaders disproved of the union’s (and specifically the union president’s) lack of compromising skills and accused it of waging a war of principles at the expense of the workers’ well-being (T2 2008, B1 2008). They accused the union of not getting workers any wage increase for four years (2004-2008).

Managing the internal front

The union went through tremendous struggle to reach a shared definition of the situation. First, the union was plagued by disagreement between leaders. Second, strong disagreement erupted also between workers and union leaders, with the former doubting that employers are interested in production and asking for a strike, and with the latter arguing against one. Third, rather than give in to strike demands, union leaders accepted to include among their ranks some of the most vocal workers accusing management of asset-stripping and asking for disruptive actions, thus postponing giving in to strike demands for one year (2007-2008). This, however, only exacerbated conflicts between leaders, leading to a split in the union after a warning strike in September 2009. I argue that managing such tensions – for instance, by co-opting radical workers into the union’s council – gained the union time to evade disruptive actions and find ways to pressure management that imply less costs for the workers.

The most important reason for the union leaders’ avoidance of disruptive actions such as strikes is the Romanian labor law, which denies trade unions the right to strike as long as they operate under a signed collective agreement. They have the right to strike only over and before the signing of a collective agreement. Violations of already signed collective agreements are to be reported to and
resolved by state authorities. Second, like the plant in Hunedoara the COS, too, fell under the EU’s monitoring program for Romanian metallurgy: Missing profitability targets would trigger the closing of the enterprise. Third, union leaders argue that the costs of any strikes would in the end be supported by the workers – it will be from their money that management will pay for disruptions in production (T2 2008). At the COS work can be interrupted without damaging the equipment. But given most workers’ very low wages (roughly around 150 Euros/month for production workers at the time of fieldwork), paying for strikes is hardly an option, and their dependence on management and the money they get from it is even more acute. Fourth, union leaders would be the first to pay for the damage in case of illegal strikes.75 As a result of all these factors, union leaders attempted to avoid a strike until late 2008 and succeeded (they would have had the right to strike already in summer 2008, when the collective agreement expired).

Avoiding a strike was no easy task. First, the union succeeded only partially, with workers responding to the death of a worker in an accident by spontaneously interrupting work in summer 2007 and triggering a wave of disciplinary layoffs. The union, over lawsuits that lasted one year, managed to gain back the jobs for 45 out of the 50 workers that were laid off. Second, avoiding a strike required bargaining with the workers. As worker delegates voted a resolution in favor of a strike in mid-2007, union leaders escaped the pressure only by co-opting a radical worker into the union council. This, in turn, had the effect of further straining relations within the union council. The radical worker suspected senior union leaders of corruption, and would insist that any union-management meetings take place with the participation of all three main union leaders (T3 2008a and T3 2008b).

Picture 3: Shift change at the COS in Târgovişte, Romania, January 2008 (taken by the author)

Calibrating threats
Acting on the belief that strikes might do more harm than good (at least until summer 2008), union leaders pursued a path of pressuring management that relied mostly on lawsuits. It was the management’s refusal to raise wages according to national- and branch-level wage increases that

75 One union leader claimed this in front of a group of workers, in a meeting I had set up during fieldwork. The union leader was trying to discourage workers from striking and other disruptive actions, which workers were asking for (personal observation, January 2008).
offered the union a possibility to constitute a threat. In time, the sum owed to the workers reached an estimated Euro 4m. Initially, the union lost all law suits it had filed with the local court in Târgoviște. Accusing the court of corruption, in January 2007 the union started filing the law suits in Cluj, a city in Romania’s North. Here the court ruled in favour of the union, and courts in Târgoviște and Ploiești followed suit. In autumn 2007 the union received favorable and final court decisions in the lawsuits regarding the wage debt. Union leaders believed that forcing management to pay the entire sum at once would bring the plant to standstill, as bailiffs would block plant accounts until workers receive the due sum. In other words, the union could seriously and legally block managerial activity at the plant without having workers disrupt production. Management reacted to this threat by initially ignoring it. By refusing to communicate, management was pushing the union to carry out the threat – something that the union had little incentives to do, given that blocking activity at the plant would also hurt workers. The union also tried contacting the Mechel headquarters in Moscow. It translated the court decision into Russian and sent a detailed report about the “consequences of bad management at COS” to Moscow, but never got an answer (T1 2008). Instead, one trade union leader (T2 2008a) confessed that a Mechel-Moscow representative, while visiting the plants in Romania, met with the trade unionists; apparently untouched by the unionists’ complaints, she said that Mechel Romania has Moscow’s full backing as long as the Romanian plants make a profit. The union leader interpreted this as confirmation that the only way to exert pressure on management is disrupting production, but one would have to achieve this while minimizing costs for workers.

The solution was for the union to “tune its weapon” (calibrate threats) so as to inflict less damage and therefore make the threat more credible (it could be carried out without automatically hurting the workers): It collected as many as 3,000 declarations from workers empowering it to carry out court orders individually for each worker. It then carried out two of them, thus testing its new found weapon and sending a clear signal to management that it can inflict just enough damage to cut company profits without also hurting production. In January 2008 management invited the union to negotiate. It offered a raise of 30% in exchange for not carrying out the court order.

Shortly after making the offer, management acted unilaterally and raised wages as of January 2008 by 30% without signing any agreement with the union and dropping any demands to the union. It also refused to pay workers the wage difference for 2007 – the employer should have raised wages starting with January 2007 - but did so only one year later. The union leader concluded that management gave in on the wage increase only to prevent the difference from accumulating (T1 2008b). The wage increase itself was not the only reason for the union to feel successful. For the first time in the post-privatization history of the plant, management not only granted an increase, but did so by respecting the tariff system and solving a key union demand. Management acknowledged that it made the pay raise in response to union pressure, and that it had asked in exchange that the union give up the execution of all the court orders it held (there were four of them). It motivated its decision in the following terms:

In order to reach social peace, to un-block this tense situation, reduce the state of nervousness at the plant, and solve the conflicts of rights and of interests, [management] has offered the union to sign a peace treaty stating that management accepts the union’s wage demands, asking in exchange that the union give up all lawsuits regarding wages and tariff systems until the end of 2008. (Management official press release, Dâmbovița, March 5, 2008)

By “tuning its weapon” to hurt only company profits without also disrupting production, the union communicated the threat to Mechel headquarters in Moscow. This might have convinced local management in Târgoviște to offer the wage raise in exchange for the union giving up the court orders. The union had failed on other occasions to communicate threats, being ridiculed by management, and showing how important and disputed the process of communicating threats can be. For instance, in July
2006 the union organized a meeting with some 900 participants to protest management actions, wanting to prove to management the support it enjoys among workers. In response, management presented union leaders with photographs of participants, thus letting them understand that they knew that the union can count on “only” 900 people in case of a strike; management was refusing to acknowledge the threat communicated by the union, thus rendering the threat ineffective. (T1-T2 2008)

Management, however, did not wait to see whether the union would accept its demands, but instead granted the pay raise unilaterally and then intensified its efforts to block in court the union’s lawsuits about the sums due to workers prior to January 2008. It is unclear why management has chosen to break off negotiations, especially since union leaders declared in the press that they were ready to accept management’s demands. Officially, management motivated its actions by accusing the union of making “supplementary demands” (Dâmbovița, January 23, 2008). My explanation, however, is that management was deeply distrustful of the union and did not believe that the union would give up its court orders.76 Furthermore, management might have acted on new information that it can delay the application of court orders, by getting help from highly influential local politicians from the Social Democratic Party (incidentally also the party that was in power in 2002 when the privatization deal took place). Mechel had courted this party in the past and had allowed it to campaign at the plant (T1 2008, T8 2008). These politicians also own the law firm that helped management throughout 2008 to delay the application of court orders (for documents confirming the link between Mechel and the lawyers of the Social Democrats, see author’s archive).

**Enforcing threats**

While it had succeeded in communicating threats, the union entered in January 2008 a conflict over enforcing them. Helped by its political allies, management was trying to undermine the union’s capacity to carry out threats. At the beginning of 2008, the situation looked good for the union. It had won in court a case against management regarding the wage debt (management gave the 30% increase only in 2008, it should have done so in 2007) and had gotten a court ruling enabling bailiffs to take money out of the plant’s accounts in order to return debts to workers. Sixteen workers (including one union leader) filed requests to get their money from Mechel. However, management replied by filing a contestation request (it lost it) and then filed an appeal in July 2008 against the decision to carry out payments by force and won at the local court in Târgoviște. Management consequently also took the 16 workers to court for the recovery of trial expenses – RON 55,000 (some Eur 15,000). Attached to the citation was the receipt of services paid for by management to a lawyer’s company, belonging to the regional head of the Social-Democratic Party (T1 2008b; T3 2008b, see author’s archive for corresponding documents).

The union’s plan was to use the lawsuits regarding wage debts to force the employer to negotiate a new collective agreement. Should management refuse, the union was planning to carry out court orders worth 500,000 Euros (representing wage debts to roughly 1,000 workers) and keep part of the sum to finance a general strike to last one full month. The union could never have raised such money under regular conditions, when membership fees are its only income; but in 2008 it was aiming

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76 In early January, right before management broke off negotiations, an accident took place in the main foundry, bringing production to a halt. The general manager accused the union of “sabotaging production” and imposed a disciplinary pay cut of 10% on the entire plant (personal observation, January 2008). Later that year, management issued a statement describing the union in the following terms: “The union thinks that if there will be no more conflicts, law suits, crises, tension, and an eternal war of ideas, then the plant’s employees will believe that there is no more union at the plant. […] With their demagogical and populist promises, the union disorients the employees, creating a state of nervousness at the plant and, in the end, blocking the collective’s activity, the fulfillment of planned financial results and of modernizing efforts, making impossible the improvement of the well-being of each employee at Mechel Târgoviște” (Management official press release, Dâmbovița, March 5, 2008).
to transform the wage debt crisis into an advantage, holding back as “representation costs” 10% of the sum it would get each worker back and planning to use that sum for a strike. Instead, management’s success in court of blocking the return of wage debts, despite being temporary, could delay the application of a definitive and irrevocable court order. Management prevented the union from using its “juridical weapon” when the union needed it most, during collective agreement negotiations around summer 2008. This was a significant limitation to the union’s law-suit-approach: The union could not deploy its “juridical weapon” as it saw fit, and by mid-2008 was incapable of threatening. Worse still, in January 2008 management blocked the flow of membership fees to union accounts in an attempt to undermine the SLI’s position within the Cartel and also to let it hunger without funds. The union sued management, but management was quick to respond the same way: After it asked to see members’ signatures confirming that they agree to paying fees to the union in order to allow fees to reach the union’s accounts, management accused the union of forging signatures and then sued it. The tactic of involving the union in innumerable law suits proved effective in overwhelming union leaders with the task of representing the union in court (they had no lawyer anymore, being unable to afford one and also suspecting that management had bribed the last one they had hired; T1 2008; T3 2008).

As the juridical weapon proved increasingly irrelevant for solving the workers’ demand for higher wages, union leaders came under pressure to organize a strike. The warning strike that took place for two hours on Tuesday, October 21, 2008, involved almost all workers of the corresponding shift (some 1,000). Its results were disastrous, with workers sanctioned and leadership divided. First, with the world crisis already affecting company sales, a strike would have served management, interested as it was in consuming existing production stocks and minimizing payments to workers. Later that year, in November 2008, Mechel sent 95% of the workers – 3,100 people - on paid leave, in order to give the company time to sell existing stocks (Incomod, November 11, 2008). Therefore, the warning strike did not transmit any credible warning to management, as it claimed to actually welcome a strike. Second, management sanctioned the workers involved in the strike with an illegal pay cut. The union was not capable of doing much about these sanctions, as the only way it could protest the pay cuts was again by time-consuming lawsuits.

Furthermore, the futility of the strike offered a good case for criticism to those among the union leaders who had disproved of it, and who were also critical of the union’s insistence on accepting only wage raises that respected the tariff systems. These union leaders left the union and established a new one, called Metalurgistul. It received considerable support from management, offering it not only a place to host its offices but also a car and driver. Meanwhile, management pressured the old union to leave its offices in the center of the plant, and offered it a place far outside the plant premises (but still on company property). Allegedly, the new union recruits workers by paying them small sums to leave the Free Independent Union (T1 2008). The new union has largely failed to attract much of the workforce. It has apparently gained somewhere between 600 (the figure acknowledged by SLI) and 1,000 members (the Metalurgistul figure, T2 2008) and could not wrestle off the old union’s dominance among the workers. But the emergence of a second union cost SLI its internal unity and shows that it could not reach a shared situational definition among all members. It favored reaching a shared situational definition with workers - distrustful of employers largely seen as asset-strippers - over one uniting the whole leading council of the union (the people who set up the second union insisted that employers are trustworthy and interested in production; T2 2008).

What eventually broke the deadlock in union-management relations was that management ran out of methods to delay the execution of court orders. There was also a change in management. Mechel replaced all top management members that had been on the job ever since the plant's privatization with

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77 The corresponding documents are in the author’s archive and show management-signed orders of fining workers, with managers actually writing down on these orders that the reason for the fine was “strike” participation. This shows how little Mechel management actually fears state authorities, as the union had organized the warning strike legally.
a new team in July 2009. The new team allowed membership fees to flow into the union's account again, re-launched negotiations around the collective agreement, and granted a 30% higher bonus on Steelworker's Day (a holiday celebrated on August 15 throughout the country). The union saw this gesture as a friendly one, as management respected the union's demand of giving the bonus indiscriminately (in previous years, management had refused to pay the full bonus to workers who had been on medical leave). The gesture, however, came suspiciously close to – three days after - one of the worst accidents in the plant's recent history, when two workers died in an explosion at the plant and four others were injured. The press that stormed in to report on the event portrayed Mechel in very negative terms, underlining that workers were scared to speak to reporters as they feared repression (being laid-off), and told stories about grueling working conditions.

4.3.3. Conclusions

The case of the SLI union in Târgovişte illustrates the point by Shelling (1960) about how the communication and enforcement of threats can become a field of tremendous dispute. Quite differently than the LNM management in Hunedoara, Mechel showed the union that it can effectively fight over the enforcement of threats and render threats ineffective, for a period of more than a year. This shows not only how difficult it is for organized labor to pose threats to employers in post-communist countries. Actually, if the difficulty with posing threats lay only in the increasingly unequal costs for union and owners of disrupting production then the situation of unions in post-communist countries would not be that different from the situation of Western unions. But the case of the union in Târgovişte shows that organized labor faces additional complications in how difficult it is to constitute, communicate, and enforce such threats. Its reliance on lawsuits allowed the union in Târgovişte to constitute an important threat to management, allowing it to hurt the plant just as much as to prevent managers from making profits, and without disrupting production. But at the same time it cost the union three years to constitute the threat (2005-2008). Furthermore, constituting a threat was not enough. The union also had to communicate and enforce it, processes marred again by contention. Management found ways to delay the entry into force of court orders for almost 18 additional months. The union's failure to offer any benefits from membership to the workers for such a long time allowed management to intervene in the conflict among union leaders and support the emergence of a splinter group.

As we move towards the East and take a closer look at two Ukrainian unions, we will see how unions’ ability to pose threats to plant owners decreases where owners have considerable power over unions, something that they de jure lack in Romania. In Ukraine, however, it is still legal for line managers to be union members. Furthermore, plants still administer considerable social benefits (such as housing and health care) and can decide which workers have access to them. Employers allow and encourage unions to run these social benefits, offering union leaders an alternative to representing workers against management that nevertheless keeps membership numbers high. Consequently, unions

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78 One can only hypothesize about the reasons that led to Mechel's dismissing the initial managerial team, but it might be related to the old management’s failure to avoid losses at the plant (i.e., not making a profit). With Mechel hit bad enough by the crisis to register significant losses in Târgovişte, it could be that the mother-company decided to diminish losses by replacing managers. Mechel Moscow might have become interested in the record of its managers also for other reasons. Earlier that year (2009), the rumors about its managers’ corruption actually materialized in a criminal investigation leading to the flight to Russia of the sales manager at Mechel's plant near Cluj (Evenimentul Zilei, January 26, 2009).

79 For instance, allegedly workers had to fix machines without turning them off (Adevărul, August 11, 2009). On August 24, another explosion caused the death of three workers at Mechel's plant in Oţelu Roşu, attracting more media attention to the situation of working conditions at Mechel (Adevărul, September 2, 2009).
in Ukraine face additional incentives to stay on the conciliatory path. If, in Romania, the strength of the union’s choice for conciliatory approaches lies in the difficulty with posing threats, in Ukraine unions and workers have a much more difficult time reaching a shared definition of the situation, because managers have the power to offer unions to stay out of issues of labor representation and nevertheless keep high membership, and because they can control unions by directly being involved in them.

The first case presented below is one of extreme collusion between management and union. When episodes of contention arise, workers fight management in isolation and, if they attempt to organize independently, have to beat the offer of the benefits-administering union. The other union presented below illustrates the argument that there is a situation that can bring union and workers onto the same side of the barricade: situations of wage arrears, to feature heavily in Chapter 5.

4.4. ZAZ in Zaporizhia, Ukraine

4.4.1. Plant Background and Labor Representation

The union at the car plant in Zaporizhia is typical of the type of relationships of collusion that exist between management and unions in post-Soviet countries, as analyzed in the literature (Ashwin/Clarke 2003; Ashwin 2004; Mandel 2004; and in more detail Petrova 2001). This literature highlights how the fact that unions administer management-funded benefits restricts their autonomy and interest in representing workers. My analysis focuses on other aspects that offer an answer to the question how unions earn their place at plants: coercion, rigging elections, and organizing political support for owner interests. It is useful to study such a case, as, in many unionized plants in Ukraine and Russia the basis for the existence of such unions is still in place: the state-tolerated practice of allowing managers to be union members and management’s practice of allowing unions to administer social benefits (funded by the employer). Furthermore, understanding the situation of the union in Zaporizhia is important for one more reason: This union is – given its size and financial strength – a trend setter among Ukrainian unions, as argued in Chapter 2. Its actions influence profoundly other unions in the industry.

The union organization at the car plant in Zaporizhia (Zaporiz'kyi Avtomobilebudivel'nyi Zavod, Zaporizhia Automobile-Building Plant; further to be referred to as ZAZ) is with 16,000 members the biggest union in civil machine-building in the country, and the most influential one – given its financial weight within Ukraine's Union of Auto- and Farm-Machine builders (ASMU). The ZAZ union boasts with its regularly-signed collective agreement, fully transferring the branch-level agreement to plant-level, featuring an additional-to-the-branch-agreement medical insurance believed by ZAZ union leaders to be “unique in Ukraine,” and establishing something like a “state within a state” (in the sense that it provides a benefit that the state does not although it should, according to union leaders, Z1 2007). The union has initiated a model of “social partnership” with employers that it has exported to the level of the Zaporizhia region (where it convinced employers to group in one association) and praises the advantages of collaboration between union and management. The ZAZ union leaders remember as the only instance of union-led protests a crisis of wage arrears back in 2001,

80 Petrova (2001) argues that employers tolerate such benefits-administering unions as they replace human resource departments, but my argument is that unions can perform such tasks only in countries with very limited welfare states, where the social reproduction of labor power is a responsibility of enterprises (as this was the case in the Soviet Union), more than it is one of the state. Restructuring of the economy in Russia and Ukraine did not involve improving social safety nets; what Russia and Ukraine spent during transition on unemployment benefits – for instance – remains but a fraction of what governments spent in Poland, Hungary, or the Czech Republic (Boeri/Terrell 2002).
when the company was still state property. Ever since the 2002 privatization to Ukravto, owned by oligarch Teriel Vasadze, the union has not organized any protests against the owner or management anymore. This is also due to the fact that ever since 2002 there have been no more wage arrears.

In an interview with the union leader and one of the vice-presidents, both stated that they (the union) never had any problems at all with management. According to them, there were no episodes of contention between union and management. All issues – such as the yearly signing of a new collective agreement - are resolved amicably – “by staying the whole night to discuss them until we solve them” (Z3 2007). Union leaders argue that as a result of negotiations, the “social sphere” has been expanding, first of all through the addition of the medical insurance to the already long collective-agreement-list of facilities the plant pays for on behalf of the workers. Specifically, according to the collective agreement of 2005 (the only one the author had access to), the plant is paying at least Euro 1m for the ASMU union’s running costs, medical expenses for workers, support for the Work Veterans’ Council, the Womens’ Council, the library, etc.

Yet union leaders themselves cast doubt on the idea that the achievements at the plant are instances of effective labor representation. According to the regional ASMU leader, the ZAZ union can take no credit for the above-regional-average wage level at the plant (Z2 2007). The union never asked for wage increases above the minimum agreed at branch-level negotiations in Kyiv, although it could have done so, given the plant's increases in productivity, and the wage increases are not codified in the collective agreement. The plant’s management nevertheless offered until the world economic crisis a

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81 Actually, the plant had been privatized one more time in the 1990s, when South-Korean Daewoo bought the plant around 1996. After Daewoo's bankruptcy, ZAZ returned into state property.

82 I can actually calculate the exact sum that, according to the collective agreement, went for paying for social benefits. See the collective agreement, ZAZ 2005.
wage level far above that figure, as it was struggling to cover workforce deficits.\textsuperscript{83} Second, the establishment of a regional employer association is more the work of ZAZ management using the association to promote its interests in Kyiv (Z2 2007). In other words, the union is not effective, as key achievements in terms of wage and benefits at the plant are the results of management’s unilateral actions, and not of union actions. As we will see from a case study of an episode of contention below, the union also has very little legitimacy among workers. It does not consult them over their demands, and does not take up their demands for collective agreement negotiations with management. Instead, it rigs elections and consultations over collective agreements in order to diminish worker input.

The union cooperates with the owner also in the political arena: Union leaders and top managers are all members of the bloc of political parties BYUT (Blok Yuli Tymoshenko, the Yulia Tymoshenko Bloc), a political party that has eased Ukravto’s access to preferential government policies. Ukravto and the ZAZ’s owner is also a member of that party and of the Ukrainian parliament. During fieldwork in Zaporizhia I could observe how both union leaders and top-managers often take the floor in front of workers or in the pages of the plant’s newspaper encouraging them to support the BYUT, which is also the only party allowed to organize electoral campaigning inside the plant. Union leaders (plant-level and regional) are BYUT members of the local council (Z2 2007).\textsuperscript{84}

Table 4.4: Labor representation in the case of the union at ZAZ in Zaporizhia, Ukraine

<table>
<thead>
<tr>
<th>Autonomy</th>
<th>Legitimacy</th>
<th>Effectiveness</th>
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<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>Low</td>
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<tr>
<td>(Union depends on management financial support for social benefits)</td>
<td>(No involvement of workers to ensure that union demands to employer are relevant to workers)</td>
<td>(For instance, union fails to convince the employer to include a wage level in the plant’s collective agreement that is higher than the branch-level minimum)</td>
</tr>
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The table above presents the union at the ZAZ as one that achieves a very low level of labor representation. Not only does the union score low on legitimacy and effectiveness, it also fails to establish any autonomy from management. This prevents the union from taking up worker demands. As we will see from an episode of contention between workers and management presented below, there are strict limits to how much union interference management allows in such cases. Some of these limits stem from the union’s strong overlap with management. Most importantly, despite constituting an ASMU statute violation, the union’s overlap with management is so strong that union leaders are elected directly from their management positions and return to it after finishing their union mandates.\textsuperscript{85} Furthermore, autonomy is absent also because management extends the union funds to administer as social benefits. The ZAZ is the typical case of how trade unions used to function in Soviet times, more directing welfare programs than representing workers. At the ZAZ the same managers have been at the plant since Soviet times, i.e. since the times when the troika union-management-state was the dominant

\textsuperscript{83} The regional ASMU leader criticized the ZAZ union for not trying to achieve the recognition of a higher wage level in the collective agreement, Z2 2007; a vice-leader of the ZAZ union also admitted that the high wages at the plant are not a merit of the union but an expression of management’s concern with finding enough workers (Z3 2007).

\textsuperscript{84} The ZAZ enjoys many state-sponsored tax exemptions (on land, VAT, reinvested profit, and imported equipment); union leaders did not deny this, Z1 2007, Z3 2007.

\textsuperscript{85} Asked what had happened to the previous union leader, whose signature featured on the collective agreement, the union’s vice-president responded: “He was invited to work as deputy-manager of the production department – a career jump, thank God!” (Z3 2007). See also the critique of ASMU’s former president of management’s involvement in union conferences (A3 2007).
norm; ever since, owners Daewoo and currently Ukravto have not brought in any outside managers. The union still sees in the members of management “its own” people, zavodchany [people from the plant], with whom it shares more than 20 years of common activity (i.e. since communism; Z1 2007). The union leader describes himself as working to “solve people’s problems”, and as a representative of the collective (including management), rather than of just the employees (Z1 2007). The fact that the current’s trade union leader is the plant’s former production manager shows that management perceives the union to be important in helping it run the plant. The next section explores what obstacles workers encounter when attempting labor interest representation, how the ASMU union helps management in running the plant, and focuses on how the union reacts when management is confronted with worker dissent.

4.4.2. Strategy

The ASMU union at the ZAZ has no strategy of labor representation. The union keeps a high membership by relying on other methods than representing workers: automatic union membership upon hiring and automatic deduction of the membership fee and management-paid benefits that the union administers and offers only to union members. Studying one episode of contention at the plant showed that the union avoids the members turning against it by engaging in election rigging and keeping the collective agreement and union statute secret.

Containing worker unrest

The union’s definition of the situation is hardly shared by members. During my first round of fieldwork I talked to four auxiliary workers (i.e. workers who are not directly involved in production and instead do maintenance or office work). They do take part in union elections because they see in the union a provider of social benefits, but they perceive it to “be on the side of management” and not part of the “working class”. They also participate as they are coerced to do so – be it because they are close to pension age and would loose many benefits if fired, or because they cannot disrupt production, given that they work outside the production shops.

I argue that the union leadership preserves its control through a combination of election-rigging and granting selective incentives to more vulnerable employees. It is categories such as technical-administrative personnel – iteersy - and older production workers that participate in elections; the medical insurance offered by the plant and administered by the ASMU union constitutes for these groups a strong incentive to stay in the union. This is not enough for young and production workers, for whom the extremely low wages are a source of discontent. This discontent, however, does not translate into union activism, but into a high turnover rate.

86 On the distinction between the directive and the representative function of unions in plan and in market economies see Clarke 2005: “[The] primary task [of directive unions] was to create the social conditions and motivational structures which would contribute to the most rapid growth of production.” (Clarke 2005: 5) See Kubicek 2002 on the troika union-management-state.

87 See the interviews with workers, Z9 2008, Z5 2007, Z6 2007, Z7 2007. More specifically, 40 year-old worker Lena, employed at one of the plant’s painting sections, spoke of the union in the following terms. She was very critical of the ASMU union; speaking “from my working class perspective” she considered that the union “gives the intelligentsia too much attention”, as it is especially the engineers and iteersy who get most putyovki (holiday tickets to the plant’s or union’s hotels and medical centers); “as they see as a lower category”. In terms of defending the workers in front of management, “we workers think that the union is under the control of the management”. When I asked why she is then still paying her membership fee, she says that it is because “I have nowhere to go, especially we, women of our age”. She contrasts her position with that of “young workers”, among whom the turnover rate is very high: They “leave immediately” as they see the bad working conditions. When I asked why exactly they leave Lena said that “for instance wages have fallen two times
In early 2008 I found out that there was a new union at the ZAZ. According to my sources in the Confederation of Free Unions of Ukraine (KPVU, a rival of the post-Soviet FPU, of which ASMU is a member), it was set up by a small group of workers very critical of the ASMU union. I decided to do another fieldwork round in Zaporozhia and find out more about what had pushed the ZAZ workers to establish a new union, especially by talking to production workers. In Zaporizia I stayed with Aleksandr, the initiator of the new union, in an apartment he shares with his wife and son in a worker neighborhood on the city’s outskirts, in an area heavily polluted by Zaporizhia’s two closely built metallurgical plants.

The initial spark of worker discontent – to lead later to the establishment of a new union - was not the wage level or working conditions, or layoff threats. It was discontent with the bad working climate and foreman abuse. The shop where all this happened is not a part of the ZAZ I visited in October 2007; it is part of the Ukravto corporation, and ZAZ management turned this shop into a distinct company called ZAZ Osnastka in 2003, part of the company’s plans to “localize the production of [Daewoo] Lanos” (Z3 2007). The shop produces press-forms (osnastka means “rigging”) and various spare parts for ZAZ cars as well as customers others than ZAZ. The shop’s workers are represented by the same organization as the ZAZ union; this means that the union leaders are the same as for the entire ZAZ-plant. ZAZ Osnastka consists of two shops and 300 workers, of whom some 250 are ASMU union members. Shop 1-2 is where 21 workers walked out of ASMU to establish a new union. The creation of the KVPU union in March 2008 represented an opportunity to find out more about labor representation at the plant: what are the work-and-pay conditions at the plant and what does the ASMU union do about them. In 2007, ASMU union leaders at this plant had not allowed me to approach production-shop workers or their union leaders. Furthermore, one ASMU union leader admitted that he was afraid to talk to me as he has “only a couple of years more to go ‘til retirement age” (Z3 2008).

It was the foreman of shop 1-2 who was the cause for most of the worker discontent. His schemes of stealing parts of production and detouring parts of ZAZ production into his pockets would not have been such a big problem for the workers, had this theft not caused them to miss production targets (and suffer pay cuts). In summer 2007, the moment when workers first voiced their discontent in an organized way, they had fulfilled only 30% of the plan. This exposed them to criticism from management: first from the foreman himself and then from the Osnastka manager. Workers suspected that both of them are connected under the same fraud schemes (Z8 2008).

The scheme functioned according to the following pattern: Instead of dealing first with ZAZ orders, Osnastka took up what workers call “orders [coming] from the left” or “side orders” – orders that come from external customers and do not show up in the company books at their real value. For instance, even though “left orders” would cost more work hours than the same pieces for ZAZ, they would go to the foreman’s friends at a far lower price. Foremen did need the workers’ cooperation to bring about this scheme, just as they needed the approval of line managers. Workers had to execute “left orders” first (Z8 2008). Resisting was difficult, as, according to Aleksandr, the foreman was good in finding each worker’s weak points and blackmailing them into becoming part of his scheme. For instance he would check very strictly who was late for work or had come to work smelling of alcohol – he would not sanction the worker but would force the worker to come to work on Saturdays in exchange for the foreman’s blind eye. “In ten years he has broken the collective in such a way as to
make sure that there is no collective and that people depend on him”. Aleksandr also mentioned that workers started avoiding talking to each other, barely knowing or greeting each other (Z8 2008). All this went unsanctioned by the ASMU local shop union steward. Ukravto knew about some of these schemes, and after the workers wrote several anonymous letters to Ukravto, some 15 men showed up at the shop to check daily activities. They all were from Ukravto’s “Regional Security Service” and “discovered” only a minor co-worker of the foreman to be connected to the fraud schemes; after they left the practice of “side orders” went on undisturbed (Z8 2008).

Workers first met to decide on actions to counter their foreman’s schemes on August 30, 2007. It was a meeting of maybe 30 workers, almost everyone in Aleksandr’s 40-people section and it took place within the very section. The result was a list of demands, starting with a rejection by workers of all management claims that they systematically fail to fulfill production plans; demands to management included making production transparent and the fulfillment of plans enforceable; the first demand was an explicit critique of management’s corruption and asked to “stop the practice of substituting materials” (one way in which the foreman was making money was by substituting production materials from ZAZ with cheaper ones – regardless of quality - and selling the first ones himself for a personal profit). Workers sent a second document – which in their strategy was the main one - to their ASMU union, declaring that they are not guilty of management’s accusations of not fulfilling the plan and demand an auditing control. All of these workers were old enough to have reached retirement-age; as the workers’ letter to Ukravto mentions, “none of the young ones is left here” (Workers’ letter to Ukravto, 2007, in the author’s archive). All of them were qualified workers; Aleksandr, for instance, was a level six worker (qualification “tariff”-levels go from 1 to 8 where 8 is the highest level; Aleksandr gets paid UAH 1,700-1,800/month – some 213 Euros).

Enter ASMU

The first action of the union was that the ASMU union leader made sure that the document (containing the workers’ request to organize an auditing control at the plant) reached ZAZ top managers. These again ordered a control by Ukravto’s Regional Security Service. The ASMU union leader told Aleksandr in a conversation that he thinks the foreman should be fired. A Regional Security Service specialist came to the shop, stayed there for two months, and delivered a report at the end of November; however, there was no immediate consequence for the foreman. Another result of these demands was that management and the ASMU organized a meeting with shop 1-2 workers. Management, however, reprimanded workers during the meeting for denying that they were to blame for the unfulfilled production plan. The ASMU promised to address the workers' demands. (Z8 2008)

A second meeting between union, management, and workers took place on January 6, 2008. This time again only the Osnastka director was present, reprimanding the workers, not letting them speak, and threatening to disband the press-form section. ASMU union leaders made no attempts to defend workers during this meeting. Later on, however, the ASMU did interfere on the worker’s side when management made a rude attempt to pressure Aleksandr after the January conference. Workers at the plant are divided between 5-day-workers and 4-day-workers that carry out auxiliary-to-production jobs. Aleksandr was in the first category but the foreman verbally informed him that he was moved into the second category (this was a significant loss in pay). Aleksandr kept showing up on Fridays for work, until the foreman de-branched his working station. Aleksandr wrote the ASMU union a complaint, and the union got him back into the first category. However, all the demands of the workers were left unanswered. Also, there was no communication between union and workers regarding these demands and how, if at all, they were being addressed. (Z8 2008)

The big conflict between the ASMU union and ZAZ Osnastka workers came in February 2008, when union and management organized conferences throughout the ZAZ to let workers formulate and vote on changes to the collective agreement. According to Aleksandr these conferences - at least at Osnastka - were marred by all sorts of fraud and ASMU statute violations. First, the document with the
collective agreement changes came to their shops only two days before the conference and there was no effort prior to that event to inform workers about their right to propose changes to the collective agreement. Second, the union used the conference also to simultaneously organize elections to the union, despite participants in the conference not being elected delegates but people who happened to show some interest in union matters. Third, there was a single chairman candidature and no question as to whether there were other candidates. Furthermore, voting was not secret but instead took place by show of hands. Prior to the conference, management refused to show the collective agreement to workers. At their shop the ASMU union newspaper (Yednist’) was always missing, so was the statute, and workers did not even know that their union is called ASMU until February. During the conference, the Osnastka ASMU union chairwoman only held a speech about “how many veterans they had helped and how many children they had sent on vacation”, without any reference to the wage level or working conditions (Z8 2008). Workers who took the floor accused ASMU of letting management draw up a proposal for the new collective agreement vastly increasing the cases in which management can cut worker bonuses. Aleksandr forced a vote on not allowing this proposal to become a part of the collective agreement and workers supported him.

The ASMU conference was the moment when shop 1-2 workers decided to set up their own union. One worker who had worked in Portugal told his colleagues that their union should be one as there are in “Europe”. The next day an initiative group at the press-form section came together, working to establish the new union. Following the complaints voiced by workers at the February 2008 conference, the ASMU union decided to organize elections separately at ZAZ Osnastka one month later – this time respecting the statute by inviting elected delegates and not just any union members to the elections. It was ZAZ-level ASMU union leaders that personally led the elections and took the floor to criticize the press-form workers.88

4.4.3. Conclusions

During the episode of contention at ZAZ Osnastka that started in August 2007 with the workers’ list of demands, the ASMU did try to interfere on the workers’ side, protecting from repression at least one of them and arranging meetings with management. During these meetings, however, ASMU leaders did not protect workers from management and watched as management reprimanded workers for initiating protests in the form of a petition. In February 2008 the ASMU became the target of open worker discontent. Management abuse in August 2008 had spurred workers’ interest in union matters, but the union was not welcoming of worker participation. It had tried to rig elections and had tolerated the deterioration in collective agreement bonus regulations that infuriated a group of workers and encouraged them to create a new union. The episode gives an idea of the limits that the ASMU faces: It has enough influence to defend isolated workers against sanctions, but it has no basis for threat potential that would allow it to interfere with management practices even when these are illegal – and condemned by company owners.

All this can change and the union might find itself on the same side of the barricade as the workers in situations of wage arrears, as the cases below will show. Such situations sever the links between management and unions and make the latter capable of and interested in building up threat

88 As expected in the literature (Petrova 2001), representative unions do not perform well against distributive unions when the latter administer vital social benefits. The small union of the press-form workers could not grow at ZAZ. As Aleksandr said, workers for whom social benefits are not important choose to leave rather than stay and fight for the improvement of their employment and working conditions. Yet the new union managed to survive and management recognized it. In 2009 it had some twenty members, two-thirds of the number of workers who had signed the list of demands shop 1-2 in August 2007 (corresponding documents are in the author’s archive; Z8 2008).
potential. However, once such crises are resolved, management might, as in the case of the union presented below, signal its readiness to return to the provision of wage arrears, with the condition that there will be a change in union leadership. The union discussed below agreed to taking up again the task of providing benefits rather than representing workers and also accepted the change in leadership.

4.5. KrAZ in Kremenchuk, Ukraine

4.5.1. Plant Background and Labor Representation

One of the legends of the Soviet car industry, the automobile-plant KrAZ (Kremenchuks’kyi Avtomobilebudível’nyi Zavod) in the industrial center Kremenchuk is Ukraine’s only truck producer and ASMU’s second biggest organization, with 7,000 members. The first contention episode at the KrAZ started one year after the plant’s privatization to the little-known company MegaMotors in 2001. The union came under pressure to act as the plant’s situation looked increasingly dire. The union was confronted with press articles and rumors claiming that company insiders illegally sell trucks in town, with someone in the management making big profits out of the scheme. Workers had not been paid in months and in November dropped work in a wave of wildcat strikes (Yednist’, December 2003). ASMU leaders in Kyiv missed no chance to criticize the KrAZ union for failing to enforce the branch-agreement, as management had refused even to look at the document. Furthermore, management refused to disclose who the KrAZ’s owner is (i.e. who owns MegaMotors) and claimed that the owner does not allow it to negotiate with the union. Unknown owner, plummeting production, thievery schemes, and unpaid wages were all signs making the union leaders and workers believe that the plant was in the hands of asset-strippers. However, contrary to the unions presented in the next chapters, which initiated street protests and plant occupations to stop asset-stripping, the ASMU union at the KrAZ took a very different approach. It relied exclusively on establishing communication of threats to the owner, to whom it suggested that it has the necessary support to achieve the renationalization of the plant.

What the union had to do first was to find out who the owner was: FPU-contacts in Kyiv helped pressure the State Property Fund to disclose who owned MegaMotors – it turned out to be oligarch Konstantin Zhevago.89 (MegaMotors was officially registered as a German-Ukrainian joint venture.) In December 2003 the union initiated the work-conflict procedure (a series of legal steps involving state-mediation that a union has to take in order to carry out legal strikes). According to the former union leader, the union doubted that it would be able to achieve much through a strike against asset-strippers, but the idea behind the work-conflict was to create visibility and to attract local authorities to its side. Given the plant’s size and importance, the nation’s biggest media outlets became interested in the crisis and published news about it (K6 2007). The union leader portrayed the wage arrears as “genocide against the Ukrainian people” (a hint to the owner’s and general manager’s Russian origins, K6 2008). This apparently was too much for owner Zhevago, who accepted negotiations and even some of the union’s core demands, such as paying the huge wage arrears (including not only wages unpaid in 2003 but also two years of unpaid wages from before privatization, which, as the union found out from the secret privatization contract, it was in any case

89 See K7 2002. Knowing the owner’s identity is highly relevant for constituting and communicating threats. Other unions, such as the one at the combine plant in Ternopil’, could not do the same and led a fight against the employer without knowing who the owner was (see Chapter 7).
The second episode of contention followed in 2005. It was a special incident, as it took place not between workers and management but between union and management. The union did not even try to mobilize members in its support when management launched an offensive against it. Following that offensive, the trade union leaders had to go, and were replaced by a team that accepted that management-union relations at the plant would copy the situation of distributive unionism at the ZAZ.

The second episode of contention basically consisted of a management backlash against the union. The general manager presented the payment of wage-arrears as a sign of the owner’s good intentions for the plant. With the elections in 2004 bringing down Zhevago’s political opponents (the business-groups around President Leonid Kuchma) army-orders helped re-launch production at the KrAZ. The general manager also started complaining that the union leader kept an atmosphere of hostility at the plant. Following that offensive, the trade union leaders had to go, and were replaced by a team that accepted that management-union relations at the plant would copy the situation of distributive unionism at the ZAZ.

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Like the union at the ZAZ, the KrAZ union, too, allows foremen - personnel that are part of management - to be union members and participate in elections. The union is in a situation where the people responsible for carrying out “management’s control function” (Müller-Jentsch 1997), having the power to sanction and fire workers, also participate in what should be workers’ mechanism for defense against management. In the case of KrAZ management used this situation to impose union leaders favorable to it in elections.

In the years to come, the union returned to distributive unionism, administering social benefits. As in the case of the ZAZ, management agrees to pay for an impressive list of social benefits that in total almost equal what ZAZ management pays on social benefits. According to the KrAZ collective agreement, management pays not only for the plant’s hospital, but also for a Black Sea resort where workers can go on vacation (1,000 went there in 2006 – which cost the company some 130,000 Euro, according to the collective agreement, KrAZ 2007). In exchange, the union assists management in carrying out its control functions. The union enforces “work discipline” and makes sure that workers do not cut work and do not show up drunk for work. In case management is not happy with the

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90 In early 2004 Zhevago was in a difficult political situation. 2001 (the year of the KrAZ privatization) had been Zhevago’s last year of expansion; starting that year his competitors were able not only to take from him important businesses in metallurgy and energy but also to bring down his main political ally, the head of the Zaporozhia regional administration. The close-to-the-president political allies of Zhevago (the so-called “Rebirth of Regions” political group) also lost power and became marginal, leaving Zhevago in an isolated position in the parliament as the last MP of his group (various press reports on the news portal Ukraina kriminal’naya, http://www.cripo.com.ua/stati/ru-sr/8-r8-s20.htm; retrieved 14.11.2008) Around the elections in November 2004 Zhevago became close to the BYUT, something that would turn out beneficial as the BYUT government helped the KrAZ with state contracts, including with the Iraqi army, thus re-launching production (K1 2007). In 2004, however, Zhevago probably had enough competition to have welcomed a return of the KrAZ to state property and re-privatization.

91 The union achieved that in February 2004 the State Property Fund filed a law suit against MegaMotors, asking for the plant’s return into state property as the new owner had not respected the production targets agreed upon in the privatization document. See the article in Ukraine’s high-profile weekly Zerkalo Nedeli, April 24, 2004.

92 I got this story from ASMU officers in Kyiv (A4 2007) and the union team that lost that conflict (K6 2007, K7 2007).
union’s performance on these issues, union leaders admit that management refuses to negotiate and implement parts of the collective agreement in effect cutting the union’s funding.\textsuperscript{93}

Table 4.5: Labor representation in two episodes of contention at the KrAZ in Kremenchuk, Ukraine

<table>
<thead>
<tr>
<th>Episode of contention</th>
<th>Autonomy</th>
<th>Legitimacy</th>
<th>Effectiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2003-2004</td>
<td>High (No social benefits to administer)</td>
<td>Input: High (Union accepts representing workers in a key area, wage arrears)</td>
<td>Output: High (Union returns wage arrears)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Output: High (Union solves most important issue for workers, wage arrears)</td>
<td></td>
</tr>
<tr>
<td>Early 2005</td>
<td>Low (Union depends on management financial support for social benefits)</td>
<td>Input: Low (Union does not try to establish how workers see the leadership change)</td>
<td>Output: Low (Outcome not relevant to workers)</td>
</tr>
</tbody>
</table>

4.5.2. Strategy

The first episode of contention, 2003-2004: The importance of outside support

During this initial episode of contention, the union leader made great efforts to portray management as asset-strippers. Quite differently than in the case of the plants discussed in the next chapter, this depiction of management was not meant for workers’ ears (who had already propagated the same idea during their spontaneous strikes), but for the media. As the union leaders later confessed, during that contention episode the union’s strategy avoided mobilizing workers, meaning that it did not make the shared situational definition the basis of its actions. The union’s strategy relied on finding outside support, contacting the State Property Fund and involving it in the fight against the owner. The union threatened that it would trigger the plant's re-nationalization, and made this threat credible when it mobilized its connections to the State Property Fund. As the Property Fund initiated a lawsuit over the KrAZ plant's re-nationalization in early 2004, Zhevago probably found the threat credible, given that institution's quite recent actions against his business group.\textsuperscript{94} For the union, the most decisive action was finding out who the owner was and establishing communication.

\textsuperscript{91} K1 2007; on October 19, 2007, I observed a meeting of the 50-member union council reporting on the topics discussed. One of the issues discussed during that meeting was how shop stewards could control more effectively that workers respect production quality standards.

\textsuperscript{92} The State Property Fund was the institution to stop Zhevago's expansion in 2001, by refusing to sell an enterprise to Zhevago despite his making the best offer. Probably the Fund was acting under the control of the so-called “Donets’k clan” of future prime-minister Viktor Yanukovich and the richest man of the country, Rinat Akhmetov (see Fn. 88). http://www.oligarh.net/?/themeofday/21113/ retrieved September 20, 2009, and for later instances of conflicts between Zhevago and the State Property Fund; see the interview in Korrespondent, November 3, 2007.
Threat potential, however, was quickly lost when the union gave up all demands as soon as the owner returned wage arrears. Given that in late 2003-early 2004 it was portraying the owner as an asset-stripper, it was strange how quickly the union gave up its demands of re-nationalization after the return of wage arrears. It was strange because the union leaders knew that money for the wage arrears came from a bank loan, not from re-launching production. The union demanded no other evidence that the owner was interested in production.

The second episode of contention: The gulf between union leaders and workers

After the 2004 change in government (which, up to that moment, had been dominated by the “Donets’k clan”), production took off again, greatly relying on the owner’s connections ensuring orders from the military. Management again could pay wages on time. It also started an offensive against the union. It explicitly portrayed what had happened in December 2003-2004 as a personal conflict between union leader and general manager that the former had started. There was little opposition in the plant to this view of things; the union leader also did not try to organize any opposition and had no support among the workers for his definition of the situation. After the elections in 2005 he took the management’s offer to become the plant’s new director on work safety and left the union leader seat open for the management-backed candidate. One of the members of the 2003-2004 union team claimed that after the conflict over wage arrears “we felt like winners” and that the fact that they had to leave the union in 2005 was their decision to protect fellow workers from possible management repression and not an act of imposition of management’s will (K7 2008). However, management got what it wanted: a change in the union leadership. Also, according to a former foreman at the plant’s biggest production shop, the elections in which the union leader was voted down were strictly controlled by management, via the presence of foremen and open voting. Anybody voting against management’s candidate risked sanctions in the form of pay cuts (K5 2008).

That the owner turned out not to be an asset-stripper was a strong blow to how the union had decided to approach the situation. Yet the union did little to ensure that it would have the backing of its members if confronted with management’s backlash. For instance, there was no involvement of workers in collective action after the November-December 2003 spontaneous strikes. The union did not use this potential. Once there were no more issues to require the involvement of the State Property Fund, management found that it faced a union with little to no backing from its members and therefore without threat potential. Union leaders refused to mobilize workers against management during the episode of contention in 2005. The problem with this was that the union did not have any other sources of threat potential. With management paying wages on time and producing at the plant, there would be no more breaches of the privatization contract, and therefore no more possibility to involve the State Property Fund.
The union leaders’ rejection of worker mobilization – and therefore, of possible sources of threat potential - was explicit. When asking union leaders why they did not rely on strike threats or on mobilizing members in their relations to owners, both union leaders (the one in office until 2005 and his replacement) give the same explanation and example: that workers are “apathetic”, that “our Slavic people are patient”, and that, for example, when the workers did not receive their pay for two years in a row (when the plant was in state property), there were no strikes at the plant whatsoever. But none of the leaders had an explanation for why wildcat strikes nevertheless broke out in November 2003 (K1 2007, K6 2008). Members of the union bureaucracy since the Soviet Union, the union leaders at the KrAZ were proud to rely on “targeting officials” through FPU and ASMU communiqués. They contrasted their approach to approaches of more confrontational unions such as at the motor plant in Kharkiv, which they called “blind protesting”, people “sleeping in the streets but not achieving anything”. They saw ZAZ as the model for “targeting officials” and a ‘clever’ way of fighting in the workers’ interest; their main indicator of success was that the ZAZ union succeeded in never letting things go as far – become as conflictual - as in Kremenchuk (K7 2008, K6 2008).  

4.5.3. Conclusions

The KrAZ union was successful in winning a battle with management over wage arrears in 2003-2004. It did so by explicitly rejecting actions relying on the mobilization of workers, considering them ineffective. Instead, it relied on its connections to the government and benefitted from the owner’s difficult political situation, and succeeded in making the owner pay the wage arrears. However, I

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95 During this second episode of contention, the union leaders rejected possible outside support coming from the Communist Party. The Party had offered to mobilize workers at the plant in favor of the union leaders, but these rejected the offer (K5 2008).
argue that this union’s rejection of mobilization – and of attempting to build on the shared definition of the situation with workers – made it extremely vulnerable to subsequent management pressure. It was management that – in the place of the union – attempted to shape the workers’ definition of the situation, by alleging that the union leader had a problem with the general manager. Management also courted a shop steward and offered her the job of union leader, as long as she would limit the union’s actions to administering social benefits and assisting with workers’ discipline. In exchange, management would recognize and sign the collective agreement. In the union elections of 2005, management imposed the shop steward as the new union leader by intimidating workers to vote for her. The old union leaders avoided taking any action against this and portrayed their lack of action as an attempt to protect workers from repression. Furthermore, the former union leader (the union chairman) accepted a job in the company’s management.

The case of the KrAZ union shows that there are situations when unions that for all of their existence have administered social benefits do take up confrontational positions vis-à-vis management. These are situations of wage arrears (always implying also that the union does not receive any funds from management to administer), when the link between union and management is severed, and union and workers might share a definition of the situation they are in. Workers and union leaders at the KrAZ did share the same situational definition in 2003-2004, namely that management was engaged in asset-stripping rather than production. However, this did not automatically mean that – following a shared situational definition portraying the owner as an asset-stripper - the union would also try to mobilize workers. In this particular case, the union refused to make this shared definition of the situation the crux of its strategies, to its later disadvantage.\footnote{This is not to confound a shared situational definition with mobilization or collective action. What this paragraph says is that the KrAZ union, despite being characterized by a situational definition shared by workers and leaders, did not try to use this shared situational definition to mobilize workers. In the second contention episode not only was there no mobilization, but there was also no shared situational definition anymore. This made it easier for management to drive a wedge between workers and their union leaders.}

Part of the problem was that – with the wage arrears gone – the structural difficulties specific for Ukraine (mainly, management trade union membership), would still be present and make the task of autonomous union action virtually impossible. One of the Ukrainian cases in the next chapter focuses on the very rare situation when unions can get around such management control, even when crises of wage arrears are over.

4.6. Conclusions

The cases presented in this chapter show that despite structural difficulties, labor representation is possible for conciliatory unions when employers are interested in production, as long as employers do not control union ranks and funds. If the latter is the case, then only a situation of wage arrears can bring about some labor representation. The first case – Siderurgica - shows that unions can make limited use of conflict-oriented (disruptive) actions even when facing employers interested in production, without triggering the employer’s decision to close down the plant. It was possible to make disruptive threats in front of an employer interested in production because the union found out how to address and calibrate the threats to local management instead of the owner.\footnote{This happened even though the union could not constitute threats to push the owner to back down from the plan of reducing personnel. In other words, the union succeeded in addressing and calibrating threats to local management, but failed to address and calibrate threats to the owner or to Mittal Steel’s European management (it was at this level that decisions about work load and personnel cuts were made).} Even if it fails to address key worker demands, the union can at least evade direct worker discontent. The same is true
for the SLI union in Târgoviște, only that in its case the threat relied on calibrating threats in such a way as to allow disruptive threats that do not involve workers (threatening to block plant accounts).

The fact that SLI and the union at Siderurgica did use disruptive threats contradicts a basic expectation developed game-theoretically in Chapter 3 (expecting that unions will not make disruptive threats when confronted with employers interested in production). I will return to discussing the relevance of these cases for strategy theory in Chapter 6. The union at ZAZ is in a situation where employer power over union funds and ranks nullifies the prospects for labor representation. The union at KrAZ shows that – in comparison to ZAZ - there is a situation that can free unions from depending on management funds. However, such situations do not necessarily also free unions from management control over union ranks. The table below presents an overview of the most important factors in this chapter’s case studies. It shows that threat potential is a necessary condition for labor representation, although these cases do not offer support for the hypothesis (proposition two in Chapter 3) that it is also a sufficient one for conciliatory unions facing employers interested in production. In all cases where unions could bring about labor representation, threat potential relied to some extent either on outside support (KrAZ), or on a shared definition of the situation (Siderurgica and the COS). Table 4.6 also mentions in the column on threat potential what aspect of threatening (constituting, communicating, and enforcing threats) and which dimension of constituting threats (addressing and calibrating threats) played the most important role in allowing or hindering the union from developing threat potential.

Table 4.6: Labor representation and strategic elements: Overview of all episodes of contention in Chapter 4

<table>
<thead>
<tr>
<th>Episode of contention with end dates</th>
<th>Labor Representation</th>
<th>Wage Arrears</th>
<th>Shared Definition</th>
<th>Threat potential (with determining aspect)</th>
<th>Outside support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siderurgica (2009)</td>
<td>-</td>
<td>-</td>
<td>+</td>
<td>- addressing threats</td>
<td>-</td>
</tr>
<tr>
<td>COS (2009)</td>
<td>+</td>
<td>-</td>
<td>+</td>
<td>+ calibrating threats</td>
<td>-</td>
</tr>
<tr>
<td>ZAZ (2008)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- no attempt to threaten</td>
<td>-</td>
</tr>
<tr>
<td>KrAZ 2003-2004</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+ communicating threats</td>
<td>+</td>
</tr>
<tr>
<td>KrAZ 2005</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>- no attempt to threaten</td>
<td>-</td>
</tr>
</tbody>
</table>

But what if crises of wage arrears do not just end as soon as the enterprise starts making profits again, but instead resurface over and over again? And what if owners attempt to close down the enterprise altogether? These situations – featuring employers not interested in production but in selling assets – represent the topic of the next chapter. In comparison to the situation of labor in this chapter, struggles over plant closures present from a labor perspective the advantage that workers and unions have an easier time reaching a shared definition of the situation. Even unions administering social benefits end up in the same situation of workers: having to lose the basis of their livelihood, the plant. On the other hand, struggles over plant closure can no longer be won by targeting the employer. Instead, labor has to take the more arduous road of targeting state officials in distant capitals and

98 In the case of the contention episode at the COS in Târgoviște, the union had to keep a shared definition of the situation for the long time until the lawsuits finally brought it threat potential.
ministries and convince them to interfere in such situations on labor’s side. Whether and how unions achieve this is the topic of the next chapter.