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Political Involvement in Industrial Conflict in Ukraine
during the World Economic Crisis, 2008-2010

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My presentation concerns ongoing research on industrial conflict in Eastern Europe, with a specific focus on Ukraine. The peculiarities of Eastern European post-communist transition offer a good research setting for studying industrial conflict (in the form of strikes and other public protests of workers) and its containment in countries with trade unions that are largely excluded from direct participation in the state via relevant collective bargaining structures. The deep and prolonged post-communist recession coupled with limited political liberalization and absence of strong trade unions raised the question of how governments could contain industrial conflict. The expectation was that in the absence of strong trade unions to translate worker dissent into bargaining positions one would have much more uncoordinated worker militancy and more industrial conflict (Korpi/Shalev 1979).

Instead, industrial conflict failed to materialize and an increasing literature tackled the question of how governments contained industrial conflict and to what results. The literature reached two basic conclusions: first, it was argued for the Central Eastern European (CEE) countries that government compensated those groups with severance payments and early retirement schemes that were hurt most by transition (see Vanhuyse 2007 for an overview). Second, for the post-Soviet countries that did not join the European Union (EU), the literature argued that governments avoided industrial conflict by fighting unemployment with the help of limiting the extent to which companies could lay workers off, and maintaining plant-based welfare as a further policy of tying workers to plants (see Gimpelson 2001 and Crowley 1997 for overviews).¹ Furthermore, the limitations on political liberalization in countries such as Russia and Ukraine (prior to 2004) might also have played a role in limiting the interest and capacity of political forces to join industrial conflict (Hough 2001).

In my ongoing work I ask whether and how the containment of industrial conflict takes place in a particular setting, Ukraine at the time of the world economic crisis (2008-2010; industrial conflict is understood here to include all forms of worker

¹ Discretionarily deployed plant-based welfare has long been considered a key element in containing industrial conflict under communism. Relying on previous work by Michael Burawoy, Janos Kornai, and Simon Clarke, Crowley (1997: 17) specifically formulated a theory of dependence to explain industrial conflict containment in Russia and Ukraine: “the variation in this level of enterprise dependence [of workers] between industries and even firms [...] can account for much of the variations in strike activity”. It is generally acknowledged that Central Eastern European countries have seen a much stronger break with the plant-based welfare provision model already in the transition’s first years, resulting in much higher spending on compensation (than in Russia or Ukraine) but also in more plant-level restructuring that some authors link to higher economic growth (Boerri/Terrell 2002; Gimpelson 2001, 2003).

protests, from demonstrations to strikes and roadblocks). I argue that the economic crisis disrupts key elements responsible for containing industrial conflict in the post-socialist past, and consequently one can observe more industrial conflict than in the pre-crisis past. However, the underlying force for industrial conflict is not independent labor organization, but political groups (parties, alliances) seeking to co-opt struggling workers against their political adversaries.

Political interest in labor positions Ukraine among the countries (together with the CEE-countries) that have ever since 2004 witnessed a rise in what some authors called “populist” political parties (Meseznikov et al 2008). Greskovits (2007) suggested that behind the rise of the populists in the CEE-countries lies the public’s discontent with EU accession conditionality. Obviously, this cannot be relevant for Ukraine, and my work suggests on the basis of research in Ukraine that the rise of populists might also be due to a different mechanism (then EU conditionality): the populists’ efforts to court and recruit labor (trade unions and workers as the wider constituency) – generally a marginal actor in post-communist politics so far - in their political struggle against the political establishment.

The Economic Crisis

I argue that political liberalization (specifically the rise of the *Yulia Tymoshenko Bloc*, BYUT) matters for industrial conflict containment especially in the context of the world economic crisis. This is so because the crisis has spurred plant-level restructuring – eliminating plant-based welfare schemes -, weakening the FPU’s grip over workers and increasing worker discontent.² In addition, political liberalization led to the consolidation of political forces with an interest in industrial conflict. Political liberalization means in this context that the Presidency is not the single locus of power in a country’s politics anymore; Parliament emerged from the constitutional changes initiated after the Orange Revolution as a relevant locus of decision making (Hale 2006). Of course, liberalization would not matter too much if there had not been also increasing differentiation and antagonism between Ukrainian business groups: a rough cleavage nowadays divides the steel-industry and banking oligarchs supporting the Party of Regions (PR) from the machine-building business groups that have joined the Orange political formations (BYUT and *Nasha Ukraina*). Much of this differentiation took place after the Orange Revolution and therefore could have been facilitated by political liberalization; while most of the big business names held PR membership before 2004, most of the business people that today support the Orange forces have joined them after 2004.³

The crisis to reach Ukraine around 2008 brought havoc to one of Eastern Europe’s few countries that had not recovered by that year from the transformational recession

² The FPU, the Federation of Trade Unions of Ukraine, is the main organization in charge of extensive plant-based welfare schemes in Ukraine.

³ The two richest businessmen presently holding BYUT membership have joined that formation after the Orange Revolution. Taniel Vasadze (owner of Ukravto and of the ZAZ car plant) and Konstantin Zhevago (owner of AvtoKraz, of the KrAZ truck plant and of many more companies in banking, metalurgy, construction, energy etc) both joined BYUT shortly before the 2006 elections. The only big name in Ukrainian business to have been a supporter of an Orange formation prior to the Orange Revolution is Petro Poroshenko, whose operations also tend to concentrate in machine-building (Poroshenko owns car-plants in Lutsk, Cherkassk, and Borispil’) and food industry.

of the 1990s (recovery is achieved when a post-communist country's GDP reaches 100% of the 1989-1991 period). In 2009, Ukraine's GDP fell by 15% (*Ukrinform*, February 24, 2010). Industrial production went down by 21.9% the same year, with the biggest fall registered in machine-building (-45.1%, see *Kommersant*, January 19, 2010). The FPU's branch-level organization in civil machine-building, ASMU – the union of civil machine-constructors - was devastated, losing about half of its membership due to collective layoffs in 2008 and the first half of 2009 (down from 106,000 to 60,000).⁴ Some of the country's biggest plants in machine-constructing announced partial or full layoffs (going bankrupt), and at very few of them there was also a sharp increase in industrial conflict. Industrial conflict remains – even in what represents the most crisis-struck branch in Ukrainian economy – an exception. Out of ASMU's 182 plant-level organizations (one for each plant) the crisis spurred industrial conflict only at three plants. However, only these three cases underwent full layoffs. I am interested precisely in cases of full layoffs (specifically in seeing whether such plants witness industrial conflict), as full layoffs are a good predictor of the elimination of plant-based welfare (Gimpelson 2001). The three plants are the bus plant in L'viv, the harvester plant in Kherson (harvester plant), and the ball-bearings plant in Vinnitsa.

Cases of Conflict and Political Involvement

In Table 1 below I offer an overview of the three plants that have seen industrial conflict in civil machine-building in Ukraine in the context of the world economic crisis. All three cases listed in Table 1 – the machine-building plants in L'viv, Kherson, and Vinnitsa – underwent protracted crises of wage arrears followed by the employers' publicly stated desire to close down the plant (January 2008 - Vinnitsa, November 2008 - Kherson) or to lay everybody off in until better times would follow (December 2008 – L'viv). At all three plants workers launched protests in the aftermath of the employers' declarations of intending to close down the plant or to lay everybody off. Workers demanded the return of wage arrears and that their jobs be saved – the workers expressed the latter demand as “nationalization”, but in practice were ready to abandon nationalization should production be resumed, wages paid on time, and jobs maintained. Following the employer's refusal to negotiate in the months of conflict that followed workers attempted to trigger the authorities' involvement to sanction what workers considered a violation of their rights. What differed among the cases were the authorities' and the political parties' reactions, all presented in the table below together with background data on the situation at each plant during the time of the conflict.⁵

⁴ In the pre-crisis years of 2005-2007 ASMU lost 5,000-11,000 members a year, according to an internal document: *Dodatok No. 1 do postanovi vikonkomu TsP profspilki ASMU No. B-XV-2 vid 13.04.2009r* (in the author's archive).

⁵ Please note that this is research in progress.

Table 1: Overview of cases of conflict at machine-building plants during economic crisis

<i>Plant name, workforce size, conflict duration</i>	<i>Owner</i>	<i>Worker demands</i>	<i>Worker actions and duration</i>	<i>The reaction of local authorities (governors)</i>	<i>Political Parties</i>	<i>Outcome</i>
Ball-bearings plant VPZ, Vinnitsa 1,100-900 workers, 2007-2009	<i>Ukrinterprodukt</i> (2002-present, Donetsk); Plant owner member of Party of Regions and MP	- return of wage arrears - re-launch production - nationalization	Public protests, road block, January 2008-February 2009	- refuse to register plant closure - guarantee negotiations with employer - provide laid-off workers with workforce reconversion	BYUT triggers legal investigation in 2008, fails to enforce results	plant closed
Harvester plant HMZ, Kherson, 1,300 workers in February 2009; 400 presently 2008-2010	<i>BTS</i> (2007-present; Bila Tsirkva) Plant owner member of Party of Regions and MP	- return of wage arrears - re-launch production - nationalization	Public protests, factory occupation, 5 road blocks June-December 2009	- launch investigation over legality of layoffs (concluded after 10 months) - provide laid-off workers with workforce reconversion	- PR attempts to use conflict against BYUT - BYUT helps re-launch production, initiates re-nationalization law with KPU in 2010 - BYUT government makes public anti-owner statements	wage arrears returned; production re-aunched and re-nationalization initiated in Parliament in March 2010
Bus plant LAZ (L'viv) 1,400 workers in 2009	Igor' Churkin (Russian citizen)	-return of wage arrears - nationalization	Public protests, 1 road block December 2008-June 2009	- launch investigation over legality of layoffs (concluded after 10 months) -authorities take general manager into custody March-December 2009 - authorities arrest Churkin for 2 hours in March 2009	- BYUT government makes public anti-owner statements	wage arrears returned; layoffs cancelled in court

Source: Ongoing ethnographic study 2007-2010 in Vinnitsa and Kherson, and various press sources for the bus-plant in L'viv. The abbreviation BTS refers to *Bilotserkovsel'mash*, a company producing agricultural machines. Abbreviations of names of political parties refer to the Party of Regions (PR), the Yulia Tymoshenko Block (BYUT), the Communist Party of Ukraine (KPU).

I will discuss these cases in more detail during my presentation.

Possible Points for Discussion

Cases of political involvement in industrial conflict are important especially if they lead to the success (the partial or total achievement of goals) of one or the other side. Success in industrial conflict redefines the terms of what is achievable via collective action, and might facilitate new cases of industrial conflict. BYUT's involvement in industrial conflict at private plants, making possible the nationalization of at least one of these plants, is important for increasing the protesting workers' sense of effectiveness of their own protests. Political involvement in industrial conflict might spur further conflict. Social movement theory (for instance, Tarrow 1998) shows that precedents such as the Kherson nationalization (or at least government's involvement in stopping the employer from closing down the plant) might matter for social movements because they increase the movement members' sense of effectiveness of their actions. With the FPU largely incapacitated by battles over the control of its structures and property, the terrain is open for political involvement, especially with the world economic crisis deteriorating the job- and pay conditions of workers. Ever since 2007-2008, one political party has proven that it is determined to get involved in industrial conflict, the BYUT.

BYUT's involvement in industrial conflict might be of interest to scholars of post-communism and populism for the following reason. With its actions BYUT is courting the working class in a similar way to what Central and Eastern Europe's new "populists" have been doing in Poland (PiS) or Slovakia (SMER): courting the workers and their labor organizations in exchange for electoral support (Meardi 2007). Similarly to parties such as Poland's PiS and Slovakia's SMER, BYUT, too, calls into question what appeared an undisputed, consensual reform area throughout transition: privatizations. The Ukrainian case can be helpful for understanding what could be one of the driving forces behind the new populist forces in Eastern Europe, as it helps controlling for what has been one of the explanations put forward for facilitating the rise of populists in CEE: the conditionality imposed on government spending by EU accession in 2004 and the population's resulting dissatisfaction (Greskovits 2007). In contrast, the rise of the populists might be linked not only with the public's dissatisfaction around living standards that is present everywhere throughout Eastern Europe, but with these forces' political strategies of courting long-ignored constituencies.

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