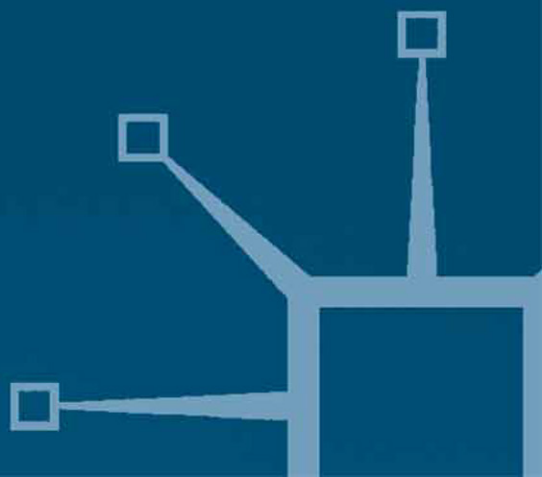


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Trade Unions in Russia and Ukraine, 1985-95

Sue Davis



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Program Director

American Political Science Association

Washington, DC

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To my family, especially Nick, Valerie, and Jeff

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S.D.

List of Abbreviations

AFL/CIO	American Federation of Labour/Congress of Industrial Organizations
AUCCTU	All-Union Central Council of Trade Unions
BAM	Baikal-Amur Mainline
CPD	Congress of People's Deputies
CPSU	Communist Party
FNPR	Federation of Independent Trade Unions of Russia
FPAD	Federation of Air Traffic Controllers
FPU	Federation of Trade Unions of Ukraine
FSU	Former Soviet Union
FTU	Free Trade Union
FYP	five-year plan
GCTU	General Confederation of Trade Unions
GMPR	Mining and Metallurgical Workers' Trade Union
ILO	International Labor Organization
NEP	New Economic Policy
NPG	Independent Trade Union of Miners (<i>Nezavisimii Prof-soiuz gorniaikov</i>)
NPVU	Free Trade Union of Aviation Flight Personnel
OTU	official trade unions
PALS TsA	Trade Union of Civil Aviation Pilots
PITP	Trade Union of Engineering–Technical Workers of “Air Ukraine”
PRIAS	Trade Union of Engineering–Technical Workers in Civil Aviation
RSFSR	Russian Soviet Federated Socialist Republic
SIF	social insurance funds
SOTSPROF	Socialist Trade Union
VKP	General Confederation of Trade Unions of the USSR
VPK	military industrial complex
VTsIOM	All Union Central Institute of Public Opinion

Glossary

<i>AOkrug</i>	autonomous okrug or district
<i>dorprofsouiz</i>	roadway trade union
<i>glasnost'</i>	openness
<i>Gosplan, Gosnab</i>	state planning committee/state committee for material supply
<i>gospriemka</i>	quality control
<i>khozraschet</i>	self-financing of enterprises
<i>Komsomol</i>	Young Communist League
<i>krai</i>	administrative district
<i>na levo</i>	“on the left” (slang for working or selling illegally)
<i>nomenklatura</i>	the list of communist party officials used for placing people in key jobs
<i>oblast'</i>	region
<i>perestroika</i>	restructuring
<i>profkomi</i>	enterprise-level unions
<i>raion</i>	area or district
<i>stachkomi</i>	strike committees
<i>Vikzhel</i>	railway union

1

Theoretical Framework

The relationship between state and society has long been of empirical and theoretical interest to scholars.¹ The fall of the Soviet Union, its transition away from the command economy and authoritarian political system, and the academic discussions surrounding these events can advance our understanding of the relationship of state and society. Institutional change and formation are a substantial part of any systemic change and institutions are an integral part of state–society relations. They mediate, structure, and shape the interactions between state and society.²

Following the collapse of the Soviet Union, many institutions of the communist regime, among them the Communist Party itself, collapsed. The *Komsomol* (Young Communist League) disappeared virtually overnight. However, trade unions continued to function as viable institutions, despite their status as “pillars of communism” and “transmission belts” from the Party to society. Soviet trade unions did not protect and defend the workers as Western unions do. They were primarily administrative organizations, designed to fulfill the Plan and control the worker. Political and economic reforms forced social institutions to fail or to adapt, and have allowed new institutions to form. First *glasnost'* and *perestroika*, then the collapse of the Soviet system, radically changed the environment in which institutions operated. Control over resources became unclear. Both self-generated revenues and government monies were no longer assured. As the *nomenklatura* system was slowly undercut and then disintegrated, challenges to institutional cohesion sprang up from above and below. The relationship of institutions to the state

changed dramatically. Rapid system-level change offered opportunities, and new costs, to the leaders of all existing institutions, who had formerly counted on close ties to government officials. The changes offered new possibilities for new institutions to form to take advantage of the changing context.

The break-up of the Soviet Union in 1991 and the lingering effects of the August coup changed the equation for state–society relations even further than Mikhail Gorbachev’s reforms had already.³ Russia and Ukraine started down different economic and political paths despite over 74 years of similar historical experience. Both states had complaints about the Soviet experience, often the very same ones, but their responses were different. Ukrainians argued that they were victims of colonialism, economic distortion, political malformation, and Russian dominance. Many Russians also felt they had been mistreated during the Soviet era. Russians blamed their economic distortions, political malformation, and colonialism on Soviet dominance. Russia, interested in economics, began to move toward economic, market-oriented reforms at a much faster pace than Ukraine. Ukraine was primarily interested in state-building, assertion of independence, and symbols of power. Russia’s political and economic elite changed, at least to some extent. The political and economic leadership in Ukraine remained unchanged. Thus, the break-up of the Soviet Union and its aftermath offers us a unique opportunity to compare the effects of these differences in approach and economic policy on patterns of interest representation and on the formation/re-formation of institutions.

In order to understand how the collapse of the Soviet system affected institutions, we must first understand what we mean by institutions, the nature of the transition away from authoritarian rule, and the role of institutions under the old regime. Then we can analyze how institutions have changed and how new institutions have formed.

Institutions are “fundamental features of politics and . . . contribute to stability and change in political life.”⁴ They are “the rules of the game in a society, or more formally, are the humanly devised constraints that shape human interaction. In consequence they structure incentives in human exchange whether political, social or economic. Institutional change shapes the way societies evolve through time.”⁵ Institutions constrain and provide incentives for individual behavior

through a network of rules and standard operating procedures, both formal and informal.⁶ The routines of an institution coordinate activities within it and are subject to change in a number of ways. Change can range from revolutionary and catastrophic to evolutionary and incremental.

There are two basic subsets of institutions: customary institutions and organizational institutions.⁷ Customary institutions, such as marriage or property rights, are socially constructed and society sets rules which change slowly according to custom and usage. They are generally not planned or voluntary in the sense that most people within a society freely accept the norms and customs of those institutions. Members of the institution of marriage do not meet regularly to determine the rules of marriage or engage in rational choices regarding membership or rules. Hence, there is no “organizational” component to a customary institution. Organizational institutions are politically constructed by individuals. Organizational institutions would include parliaments, political parties, and trade unions. These institutions are concerned with the “authoritative allocation of values” whereas customary institutions themselves represent values. Both types of institution are subject to change. This study is interested in discussing the nature of change in organizational institutions (hereafter referred to as institutions for brevity’s sake).

Change can occur in a number of ways. Change can come from individual actions within the institution or from broad systemic changes at the regime or systems level. Incremental change tends to come from the individual level and catastrophic change tends to come when the system is changing the context and environment in which the institutions must function. Most institutional change is of the incremental variety orchestrated by individual actors within the institution who desire change. However, institutions can change dramatically and such massive change is most often found, and can be most dramatic, in systems in flux or transitional systems where rules, costs, and benefits are all changing. The actors within the institutions react to these new rules, costs, and benefits.

Institutions are important for a number of reasons. First, they play a mediating role between state and society. They aggregate and articulate interests and make the political process less raw. Institutions shape, and are shaped by, society and politics. They interact on both levels and as they interact with society and politics, they change

and are changed by it. Institutions also play a legitimizing role. Political and societal institutions can lend their legitimacy to the system by performing their functions well. Institutions also make important differences in policy outcomes. Lastly, they can lobby, influence, and shape the outcome of policy debates as well as propose new avenues for policy makers to follow.

Institutions play the above-mentioned roles in stable polities. In unstable polities they have an even greater role to play. In unstable polities, if there are strong or legitimate institutions, the institutions themselves can make policy and shape the system itself. When the state is weak or society is disorganized, institutions can actually make policy and have a strong impact on the nature of the system itself. In decentralized systems, institutions can also play an enhanced role. Political decisions in decentralized polities are “composed of sequences of decisions made by different actors at different institutional locations.”⁸ As such, different actors have input and can, in certain circumstances, veto decisions. Institutions, from parties to trade unions, can have more impact when there are more points of access and more possibilities for influence.

When statist systems begin to decentralize, this can also enhance the effects of institutions. In the Soviet and post-Soviet cases, the breakdown of central authority and the regionalization of decision making has increased the importance of institutions. The number of veto points, access points, and the impact of new power centers allows institutions to expand their strategies and affect policy making at many different levels.⁹ *Oblast'* (regional) and *raion* (district) officials often become more important than those in Moscow over decisions within their jurisdictions. Institutions not only can veto, but they can legitimize, unify, and control societies and decision-making processes. This becomes more likely in a regionalized and decentralized system where there are more points of access and ultimate political authority is contested.

All transitions have elements of continuity and change within them.¹⁰ Institutions are influenced by the environment and by individual actors (see Figure 1.1). Institutions respond to their environment, so when the environment changes, the opportunities for institutions to change expand. Institutions also have a reciprocal effect on their environment through interaction such as lobbying. Institutions are composed of individuals who both respond to the

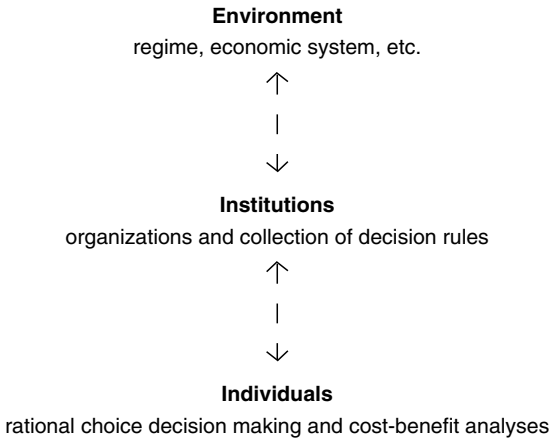


Figure 1.1 Influences on institutions and institutional change

costs and benefits structured by that institution and who design the rules and goals of that institution. However, the institutions are only presented with opportunities to change, and not all will do so. Some institutional leaders and members use the opportunity presented by political change to reform or radically reinvent their institutions. Others do not.

Soviet institutions

What was the Soviet system, institutionally speaking? The Soviet system was predicated on the idea of control. Both the economic and political systems were based on the concept of democratic centralism, which in practice meant that the Communist Party (CPSU) determined policy in both spheres. The Plan (five-year and annual) structured economic decision making and focused development in the heavy industrial and military industrial sectors. The Plan took the place of the market, making such decisions as wages, pricing, quantity, and product mix. The result was a “scarcity” economy in which choice of products or colors, quality and innovation were extremely low priorities and consumer goods were difficult to find. Therefore, wages (money) became less important – access became the important key to finding scarce goods. Increased wages, thus, did not work as an incentive to more productivity or better quality. In politics, the Party

decided policy and structured the political arena. Exhortations by the Party and socialist competitions to force workers to increase productivity declined drastically in effectiveness over time.

The Soviet system was also the “ultimate welfare state” which provided, mostly through enterprises and trade unions, job guarantees, health care, child care, pensions, and social insurance. The welfare provisions of the Soviet system emanated from ideological beliefs as well as pragmatic rationales. Gradual, yet consistent, rises in the standard of living, coupled with the provision of welfare benefits, made the Soviet Union easier to govern. A tacit “social contract” was formed which traded certain political and social rights and freedoms for economic guarantees.¹¹ In this contract, the regime promised full and secure employment, low and stable prices on necessities, a wide range of free social services (day care, hospitals, schools, etc.) and egalitarian wage policies. In exchange for economic and social security, workers accepted the monopoly of the Party on interest representation, agreed to the centrally planned economy, and to the dictates of the authoritarian system.

The institutions within the Soviet system served dual purposes. The Party educated, inspired, and coerced Soviet citizens to implement policy and behave in prescribed ways. The Plan outlined development strategies and controlled economic behavior as well as focusing attention on goals and triumphs of the system, thus, in theory, enhancing legitimacy for the state. The *Komsomol* aimed to educate and control Soviet citizens between 18 and 30. The trade unions aimed to fulfill the plan while also educating, controlling and sometimes protecting the worker, including the administration of government social funds.

As the Soviet Union began to stagnate economically and politically in the mid to late 1970s, this tacit bargain began to erode. When Mikhail S. Gorbachev came to power in 1985 and began tinkering with efforts to reform the system, he neglected to change the nature and role of the institutions which had supported it. This resulted in institutions which were forced to respond to changing incentives from above.

Sources of institutional change

The Soviet transition: macro-level change

The story of Soviet history has been “not a record of *immobilisme*, but a story of persistent and failed attempts at reform culminating in

Gorbachev's new thinking. The political system seemed to actively combat reformers and their plans . . . Thus, in virtually all fields, fundamental priorities, practices, and institutions survived attempts to reform them, despite the immense costs this began to exact."¹² So how could such resilient institutions, which adapted to so many reform efforts and political wind shifts, suddenly lose their ability to adapt, leading to complete collapse.

In the Soviet case, the impetus for change (in whatever direction) was the disruption of the old system. *Glasnost'* and *perestroika* changed the political and economic environment in which institutions acted. *Glasnost'* (Gorbachev's policy of openness that slowly evolved into freedom of speech) led to a fuller understanding of the problems and tensions inherent in the Soviet system. Individuals came to know what the failings of Soviet economics were, what environmental devastation had been wrought by the Soviet economy, what other countries produced, consumed, and dreamed of as well as what opportunities existed to make life more pleasant or to make a profit. *Glasnost'* also removed the fear factor from Soviet politics. Crack-downs, though still used, became more selective and often less violent. Alternative power sources began to appear in the republics and in Russia itself. In 1990, the political monopoly of the Party was removed from the constitution by public demand. Institutional leaders increasingly had options and opportunities beyond those found in the old system.

Perestroika (Gorbachev's policy of economic restructuring) tinkered with the Plan and eroded central control without replacing it. When enterprises were exhorted to become self-financing, *Gosplan* (the state planning agency) and *Gosnab* (the state committee for material supply) seemed unaware that this should change their economic role. Without a wholesale sector, how can a firm cut input costs? Controls on foreign exchange were slow to be lifted. Workers were exhorted to produce more and offered monetary incentives, which since access to goods was more important than money, only served to spur inflation not productivity. In this uncertain economic and political environment, some institutions of the Soviet system changed rapidly and others changed slowly if at all. This was often dependent on government policy toward those institutions, if policy had not changed decisively; the incentives and constraints facing institutional leaders remained the same. However, costs and benefits

were beginning to change more rapidly and the more daring leaders began to plan how they might take advantage of the changes.

Elections also changed the context in which institutions acted. Beginning in 1989 with the Congress of People's Deputies, policy making began to slowly move outside of the control of the Party and became more transparent and so understandable. Coupled with a freer press, more information existed on which institutions could base strategies and goals without reference to the Party platform. Power dispersed from the Party alone to the parliament, lower-level officials and individuals. Republic-level and regional-level governments began to take power and argue for sovereignty and autonomy. This resulted in a "war of laws" which further eroded the legitimacy and effectiveness of the central government. These developments greatly reduced the costs of defying the central government apparatus, and gave institutions other avenues to pursue their goals – though as long as government funding and resources remained firmly in hand, defections would be minor.

The erosion of the social contract during the late Soviet period – in particular rising prices, inflation, declining living standards, visible poverty, inadequate health care, inadequate day care, increasing wage differentiation, and job insecurity – led to a system in which there was a dramatic rise in labor unrest and political activism and a decline in legitimacy for the system.

After the fall of the Soviet Union, the social contract lay in shambles, large-scale economic reform seemed imminent, and government policy began to change more rapidly. The hold of most institutions on government funding, support, and resources became increasingly tenuous. These factors drastically changed the incentives and constraints acting on institutions. Institutional actors then were forced to respond to these macro-level changes and respond to the new incentives and constraints, as well as responding to the existing rules, constraints and incentives of their institutions. In such a context, new institutions struggle to form and old institutions struggle to adapt to take advantage of opportunities.

The Soviet transition: micro-level change

Micro-level forces for change are also important. Members and leaders of institutions also affect the nature and direction of institutional change. As macro-level forces changed the incentives and

constraints on institutions from above, institutional members and leaders reacted to those changes as well, thus serving to accelerate change from below.

As the macro-level changes took effect, some individuals chose to form new institutions. As Mancur Olson argued, common interests alone are generally not enough to form groups. The ability of a group to offer selective benefits strongly affects group formation.¹³ Selective benefits are a way around the “free rider” problem: providing benefits which are only distributed to those paying the costs of membership is a strong incentive to group membership. The ability to offer selective benefits can also greatly affect the process of change in a transitional system. Existing institutions, if they control selective benefits, are more likely to retain members and thus survive the transition.

Institutional change can result from deliberate strategies pursued by leaders to “transform structural parameters in order to win long-term political advantage.”¹⁴ This can be a struggle for leadership succession, policy debates, strategic choice arguments, or any of a number of other potentially divisive issues that fall under the purview of the given institution. Change can also occur as an unintended consequence of other political or institutional struggles.

Institutional change: catastrophic vs. incremental change

Stable environments tend to lead to relatively stable institutions, and change within such stable institutions tends to be incremental. Unstable environments can lead to stable or unstable institutions depending on the nature and extent of the instability and the opportunities and costs presented to institutional leaders and members. The keys are control of resources and vested interests.

One model of institutional change is Stephen Krasner’s “punctuated equilibrium model.” Krasner argues that institutions are generally creatures of habit and stasis; however, periodically, crises “punctuate” the institutions, creating opportunities for abrupt institutional change, after which the institution returns to stasis.¹⁵ These crises usually come from the institution’s environment. Such crises can cause the breakdown of institutions and their reshaping. Kathleen Thelen and Sven Steinmo add nuance to Krasner’s model by looking at four sources of institutional “dynamism” to avoid static and mechanical accounts of institutional change and to address the limits of Krasner’s model which they see as a circular fallacy.¹⁶

This takes Krasner's model and adds the possibility of partial and incremental changes caused by the external environment and strategic maneuvering within the institution itself. In other words, institutions can change without breaking down totally and institutional change can occur short of total crisis. In the case of Soviet and post-Soviet institutions in general, and trade unions in particular, new institutions are forming and old ones are changing.

The key to the process of institutional change is leadership. In the words of Valerie Bunce, leaders do make a difference. How they are recruited and the system in which they operate affects their decisions and choices.¹⁷ Leaders are reacting to the changes in the external environment and maneuvering within the incentives and constraints of the system at large and the institutions in which they work. Goals, strategies, norms, actors are all changing in the uncertainties of the transition from statist interest representation and state–society relations to something else. In such conditions of uncertainty, leadership plays a decisive role.¹⁸

Soviet change

The Soviet Union definitely experienced “broad changes in the institutional environment.”¹⁹ These macro-level changes, and particularly changes in the post-Soviet era, led to corresponding changes in the cost–benefit analysis of institutional leaders in determining their action and has led to new leaders responding to the changing context and establishing new institutions (“making latent institutions salient”). Leaders within old institutions have had the choice of adapting to changing circumstances and goals, and strategies have definitely changed along with the political and economic context, especially as constituencies for their services have substantially democratized.

Systemic constraints also affect institutional change and formation. The Soviet case is even more problematic because the state crushed, banned, and later discouraged the formation of independent groups which made the costs of joining and forming groups even higher. As these constraints failed or were repealed, costs and benefits changed.

The members of the institution can force change. The micro-level changes of democratization and growing “grass roots” demands also presented institutional leaders with choices to make. Some institu-

tional members “killed” their institutions by choosing to leave those institutions *en masse* – for example, the *Komsomol*. Others forced leaders to acknowledge systemic changes and opportunities which they may otherwise have ignored – for example, miners and teachers.

The interaction of these macro, micro, and institutional changes is the center of this study. All of these changes are conditioned by the nature of the system and the change or transition itself. The political, economic, and social changes caused by the fall of the Soviet Union – indeed the nature of the transition itself – are a matter of some controversy. Did the regime collapse or reform? Was the Soviet Union a totalitarian state or was there room for an autonomous society?²⁰ As Philip Roeder put it, the “seemingly paradoxical elements of a regime with a transformational mission that led to stagnation, a Party that engineered social change but could not adapt to a changed society, and stability that gave way to collapse are all tied to one another.”²¹ The same holds true for post-Soviet systems. Change has not been complete, but neither has it collapsed. Instead there is amazing continuity, particularly in industrial relations where Soviet enterprises persist and industrial relations are only beginning to change. Michael Burawoy calls it the “mythology of total destruction.”²² Burawoy posits that the leadership is still in charge, the old administered economy has been slow to change and in many ways, he argues, the Soviet economic order has even consolidated itself. *Nomenklatura* privatization (ownership going to those in the Party hierarchy who had previously controlled the levers of power) would lend support to this argument, as would the case of the Izhevsk Radio Factory (among thousands of other enterprises) which is still controlled by its former bosses but now for their profit, not that of the state. I would argue, however, that although the same men are in charge of factories like Izhevski Radio Zavod, some things have changed. Managers now actively seek foreign partners, profit, and new ways of doing things because of the incentives and constraints of the economic system currently forming in Russia.

The post-Soviet system still needs a fundamental restructuring of domestic industry as industrial policy is largely unintentional and *de facto*.²³ And an important part of restructuring is the nature of the labor market, labor organizations, and industrial relations. As the government explicitly deals with these concerns (past and present), the political context continues to change, which incites further insti-

tutional changes. In this study, I will look at one aspect of institutional change – trade unions – to determine how these institutions are affected by macro, micro, and institutional changes.

Organization of the book

Chapter 1 addresses broad theoretical issues and introduces general ideas about the transition in the region, state–society relations, and about institutional change. In Chapter 2, I will discuss the more specific focus of this study, trade unions. Chapter 3 will describe the political and economic context of Soviet trade unions during the high Soviet period, so that I can then evaluate the nature and impact of the historical legacy or path dependence on future trade union development. Chapter 4 will cover the period 1989–90 and analyze the incentives and constraints on institutional formation and change during the late Soviet period for the coal and railroad industries. The post-Soviet period is slightly more complex since it deals with two independent states – Russia and Ukraine – so Chapter 5 will cover Russia in the period 1991–4 and Chapter 6 will cover Ukraine in the same time period. Both chapters will analyze incentives and constraints on union leaders in making decisions about institutional formation and change in the metallurgy and aviation industries. Chapter 7 will present the conclusions from this research and analyze the present state of trade unions and how they affect state–society relations.

2

Institutional Change and Institutional Formation: the Case of Trade Unions

A Model of Trade Union Leaders' Decisions to Choose "Voice" or "Exit"

Imagine a job as a trade union leader, given to you by the Party. The parameters of your job are to ensure Plan fulfillment, to ensure maximum worker productivity, to distribute bonuses, to oversee distribution of social funds, and to be faithful to the Party. A new General Secretary is elected after you have been doing this job "successfully" for 15 years. Within three years, everything has changed rhetorically at the system level and within the trade union. By the fourth year, the changes become real. Job security wanes as work habits come under attack. Slowly, Plan fulfillment becomes less important, Party loyalty becomes less important and you begin to be judged on your ability to make a profit. The membership of the trade union becomes emboldened to make new demands as *glasnost*' takes hold. They make further demands as *perestroika* yields changes in work rules, norms, and bonuses. The worker is being asked to work more and work harder without additional worthwhile compensation (money is not a worthwhile incentive as there is still nothing in the stores to buy). He becomes highly demanding of trade union leaders. He has seen television reports of how Western trade unions operate, courtesy of *glasnost*', and has met Western union organizers who take advantage of eased travel restrictions to encourage "new" unions to form. By 1989, the coal miners explode into a nationwide strike which gets maximum publicity from the media because it occurs during the first meeting of the new legislature. The coal miners reject the union leadership and refuse even to take donations of food and drink during the strike from

the official unions. They demand independent trade unions. The government begins to distance itself, at least rhetorically, from the official unions. Government leaders suggest reallocating trade union property, reassigning social funds to a government agency, removing the automatic dues, withholding and stopping automatic membership enrollment. The government signs agreements with the strike committees. How would you react to such a situation?

The scenario above highlights the problem faced by institutions and their leaders in a time of rapid change. The goal of this study is to analyze the nature of the decisions the leaders of institutions face in times of rapid change – in other words, how regime transition yields shifts in state–society relations and institutional change.

As stated in the first chapter, this study is designed to analyze how regime transition affects institutions – in particular, how it induces old institutions to change or new ones to form. By looking at Soviet/post-Soviet trade unions, I can suggest how the changing environment offers different incentives and constraints on the trade unions as institutions. In some cases, the old trade unions change (to varying degrees, from purely rhetorical to true reform) and in some cases new trade unions form. What factors in the environment are most influential? How do they induce change? What determines the extent of the changes in trade unions or the formation of new ones?

Trade union organizations offer an excellent way to study this phenomenon; one can look at the rationale for whether unions parallel regime change or choose to take another path. Specifically, this study focuses on the decision of trade union elites whether to remain within the state union structure or whether to form an organization independent of the state. Within these actions is the underlying puzzle of interest representation and state–society relations in general – how do leaders of groups make calculations in their group's best interest during a time of transition to a more pluralistic system? How do leaders make decisions in their own best interests, for example to maintain their power, positions, and perks? How do changes at the regime level translate into changes in the calculations of union leaders whose decisions result in a change of the nature of interest representation? What goals – political or economic – are more important in the calculations of the leaders?

Under the Soviet system, there was no independent political action by workers, and the unions were one means of ensuring that. Offi-

cially, unions fell “between Party and government”; in practice, unions were part of government and Party. Trade unions functioned as a branch of government – their main duty was ensuring Plan fulfillment. The CPSU had a monopoly on interest representation; independent parties or social movements were strictly forbidden. Union leaders were chosen by the *nomenklatura* system and their primary function was to improve labor productivity, not to promote the interests of the worker, interests that were seen as identical to those of the state. In theory, the unions existed as workers’ organizations but workers were indifferent to or alienated from these union structures, seen as part of the ruling party–state apparatus. Workers felt alone and isolated in the “workers’ state.”

Trade unions, as institutions, have been surprisingly resilient throughout the transition. In no case did an entire industry form a new, independent union. When “breakaway” unions were formed, these unions formed at the local level. Indeed, often an individual trade union leader left with relatively few workers in tow. The potential costs of leaving the official union structure – losing insurance, sick pay, pension funds, day care options, housing privileges, vacation passes, access to scarce goods, coverage by the collective agreement on wages, to name but a few – were so high that few ventured out. Through a comparison between the decision making of leaders who left to form “breakaway” unions and the decision making of those leaders who stayed with the official union, I shall determine the nature of those costs and benefits and the calculus used by leaders in making the decision either to exit or stay with the official unions. Only the lure of hard currency profits or the certainty that the industry in which they worked was so vital to the economy as a whole that the government would have to give them anything they demanded was enough to push a trade union leader across the threshold. If a union organization was closed and either unwilling to make room for new leaders or to give leaders a voice in the affairs of the union, then a leader might also take the risk of leaving – especially if he could gain access to hard currency and/or was in a key industry. Few leaders perceived that the potential benefits outweighed the costs of leaving the official unions.

I will analyze what Collier and Collier call “critical junctures” in the relationship between the state and a particular interest group, the trade unions. For the purposes of this study, the critical junctures in

question are the formation of trade unions independent of the state (either new unions or successor unions which must redefine themselves) in the Soviet and post-Soviet periods from 1985 to 1995.¹ We can explain these system-level institutional questions by looking at decisions made by individuals, in this case trade union leaders. These decisions are of empirical interest and have consequences for the function and role in society of trade unions and other interest groups, as all groups in society must come to terms with the changing nature of the state in the region. The ramifications of this project are greater than just the relationship of interest groups with the state. The nature of interest group representation (and particularly the nature of trade unions) also will influence the party system and the relationship of labor to parties as well as the establishment, success, and methods of other interest groups and, ultimately, the systemic stability.

Why trade unions? A number of scholars have emphasized the importance of trade unions in transitions from authoritarianism, especially in states with “worker majorities” and industrial economies.² Unions can mobilize workers against political and economic reform. Unions represent workers whose demands for higher wages can fuel inflationary pressures.

In economic transitions, labor is an integral part of the equation. Labor can make or break a transition. If labor is unorganized and weak there are two possible outcomes: praetorianism or acquiescence. Praetorian societies are those in which “social forces confront each other nakedly; no political institutions, no corps of professional political leaders are recognized or accepted as the legitimate intermediaries to moderate group conflict. Equally important, no agreement exists among the groups as to the legitimate and authoritative methods for resolving conflicts.”³ This lack of agreement on legitimate conflict resolution can lead to perennial and insoluble conflict in society and thus bodes ill for democratization. Acquiescence also bodes poorly for democratization as the labor force remains voiceless and impotent and looms as a potentially explosive force. Louisa Vinton and others argue that this acquiescent or praetorian “third force”⁴ has been a major problem in Poland, Romania, and Hungary and could disrupt transitions there.⁵

If labor is organized and strong, constant strikes and exorbitant demands can bring down new governments. However, if labor is

willing to act as a responsible intermediary – recognizing both the interests of the workers they represent and the long-term goals of the government – it can facilitate democratization. Means of conflict resolution can be agreed upon and if labor is seen as a legitimate representative of the workers, labor can make agreements or pacts with the government that are in everyone's long-term interests even though they may hurt in the short run.⁶ Such pacting or political crafting is considered to have the best prospects for consolidation of democracy.⁷

The optimal mix of labor mobilization and labor quiescence to ensure the consolidation of democracy is that labor should mobilize and demonstrate during the breakdown of the authoritarian regime but once the transition begins and a more democratic government takes power, labor should shift gear and pursue strategies that support the government.⁸ Such restraint is not easily attained in systems where demand for increased wages and better working and living conditions have built up to almost explosive dimensions. When coupled with government requests for delayed gratification of these demands, the restraint is even more difficult to attain. And, most importantly, barring a competent and legitimate institution – such as a labor union – to transmit these demands, the “optimal mix” is unlikely.

This institutionalization is the key to attaining an optimal mix of mobilization and restraint. If the institutions of labor and unions can mediate and moderate workers' demands then the optimal strategy is more likely to be attained. If, however, the unions, as institutions, are weak and disorganized, they cannot channel demands, nor can they moderate them, and the prospects for a successful democratization are lessened. Therefore it is important to examine how the old official unions have changed, whether they have adapted to the new context and become a legitimate voice of labor; and to examine how institutionalized new independent labor unions have become.

There have been significant polling data since 1991 which indicate that trade unions lack legitimacy among the public and their members. Yet they survive, retain property and resources and have considerable political influence. If Eastern Europe is any indicator of the future of the post-Soviet region, these basically bankrupt institutions have the capacity to stage a comeback and regain significant amounts of power. How can we explain this seeming contradiction? How can

we explain the persistence of an institution which its own members dislike and distrust? Why do so few independent unions form to challenge the monopoly of representation still enjoyed by the formerly communist unions? In this study, I will explain why these trade unions have survived and why so few independent unions have formed, analyzing the decisions made by union leaders to stay or exit the official unions. The primary explanatory factors in those decisions are state policy and union control of state resources, industrial characteristics, and internal union organization. To examine these, four case studies, two in the Soviet period and two in the post-Soviet period will be used: coal mining and railroad workers in the Soviet period and aircraft engineers and metallurgists in the post-Soviet period. In the post-Soviet period, there is an additional comparison between Russia and Ukraine.

Trade unions are important for a variety of reasons. Soviet-type systems were highly industrial and labor as a group made up a majority of the population. Trade unions occupied a special place in the legitimacy of the communist system. The values of economic democracy were an integral part of the “post-Stalinist social contract” and a basis for systemic legitimacy that further enhanced the importance of trade unions. Because of their importance under the communist regime and their management/administrative functions, the trade unions had – and continue to have – a special relationship with the state.

In the Soviet and other communist systems, trade unions played a different role than those in the West. Trade unions had a distinctive relationship to the state. They were government organized, state-controlled bodies which performed “dual functions.” They had management and administrative functions and also were charged to protect and defend workers’ interests. They were designed both to represent the workers and to increase workers’ production. Scholars disagree on the distribution of time and energy spent on each function but the consensus seems to be that the production function received the lion’s share of the trade union’s attention. Trade unions controlled housing, day care, health care, access to vacation spots, recreation and cultural areas and, most importantly, social security funds and pensions.

In communist systems, trade union membership included virtually all of society, from management to doctors to teachers to miners. In

1987, the official Soviet trade union, the All-Union Central Council of Trade Unions (AUCCTU or *VTsSPS*) encompassed 98 percent of the Soviet workforce – or 140 million people. The mobilization or restraint of a group of that size has obvious ramifications for regime stability and successful reforms.

Trade union formation has consequences for the function and role in society of other interest groups, as all groups in society must come to terms with the changing nature of the state in the region. The ramifications of this analysis are greater than just the relationship of interest groups with the state. The party system and relationship of labor to parties as well as the establishment, success, and methods of other interest groups are also affected.

According to many scholars of the Soviet system, the Soviet working class made a tacit agreement to trade social security for political compliance, a “social contract.” In this contract, the regime promised full and secure employment, low and stable prices on necessities, a wide range of free social services (day cares, hospitals, schools, etc.) and egalitarian wage policies. In exchange for economic and social security, workers accepted the monopoly of the Party on interest representation, agreed to the centrally planned economy, and to the dictates of the authoritarian system. The erosion of the social contract during the late Soviet period led to a system in which there were few shared values. The lack of consensus or tradition of discussion on what a society or government should or should not do led to a dramatic rise in labor unrest and political activism.

The trade unions and the workers they represent have the capacity to derail progress toward more democratic and market-oriented societies through strikes and work stoppages. The strikes in July 1989 weakened the Soviet government and contributed to its downfall and were the crucible for the formation of independent labor organizations. The economic dislocation, cost, and the precedent of government acquiescence to worker demands led to increased economic problems, additional inflationary pressures, and an outbreak of strikes among many branches of industry: from doctors and teachers to transport and dock workers. For the cases discussed in this book, the strikes influenced or catalyzed the formation of new independent unions in some cases. However, most of the strikes were spontaneous and did not give rise to union formation immediately. Instead, the trade union leaders and potential leaders took some time

after the strikes before forming new trade unions or deciding to stay with existing union structures. Similar wide-ranging anti-government strike activity could do the same to a post-Soviet government.

Although the Soviet system no longer had legal constraints on the formation of trade unions, there was little change. There were other factors that also impeded the free development of trade unions. For example, if a worker left the official trade union, he could lose his apartment, the ability to purchase a car, as well as other privileges such as sick pay, a pension, vacation passes, and access to scarce goods. If the industry had the prospect of high profits, preferably in hard currency, or if the industry was located in a strategic sector so that a strike threat would make the government agree to demands for more money and privilege – then, perhaps, a trade union leader would see a benefit in taking the risk of starting an independent trade union and leaving the official one.

The possible benefits of leaving the official structures were long-term economic gain (due to the potential success of market-based economic reform) and independence or autonomy in decision making (avoiding the restraint and obligations imposed on the statist official structures). The costs of leaving the official structures were the loss of official status as well the privileges and benefits included with such status, plus the costs of starting up a new structure from scratch. In the communist (and to a great extent the post-communist) systems, access to goods such as housing, medical care, education, day care, and social insurance was through the official government-sponsored institutions. Each leader was faced with a cost–benefit analysis to determine the correct decision (in terms of maximizing resources – the leader’s political survival, economic well-being, and other goals). Part of the cost–benefit analysis included looking at union organization. If a union was “reformable,” leaders were likely to conclude that the benefits of staying were higher, whereas if the union was seen as closed and “unreformable,” the benefits of staying would be much lower.¹¹

As the system changed, instead of operating as administrative agencies and distributors of official perks, trade unions became uncertain of their control over resources (particularly the social insurance monies which they had distributed since 1933), property, and membership. In order to survive, the trade union leadership had to

adapt to new challenges from below as the *nomenklatura* system disintegrated, and new opportunities and challenges from above as their relationship with the state changed, potentially drastically. The uncertainty that these rapid system-level changes inspired in trade union and other institutional leaders was massive and difficult to deal with for leaders who had been able to count on their close ties with government and Party.

In the case of Soviet trade union formation, labor unrest from below struck the first blow against the monolithic Soviet system of interest representation but trade union formation and change has been a function of leadership decisions to exit old unions and form new ones or to stay with the old unions and attempt reform. Collective action, therefore, is generally not an appropriate theoretical framework but does have some insights that will be helpful. Leaders who exit the old unions must have expectations that at least some of the rank and file will follow. In the Soviet and post-Soviet cases addressed here, the important “selective benefits” are the control of social insurance funds (SIF) and other state resources controlled by the official trade unions and offered only to their memberships. These are strong incentives to remain with the old unions and reinforce institutional stability. If the control over SIF and other state resources erodes, the incentive also erodes and the costs of leaving the official union decline. Therefore, even in situations where some trade union leaders choose to exit and form new unions, the old union generally maintains itself and much (if not most) of its membership. Of course, new unions also emerged without significant labor unrest in some industries.

The primary incentives and constraints operating in the Soviet/post-Soviet system here are industrial and internal union characteristics. Political advantage can be construed in a number of ways. First, it can be seen as a political gain – either retaining or gaining a leadership position in the union. Retaining power and privilege is an important motivating factor for trade union leaders. Responding to environmental changes and seeing an opportunity to become a leader with power and privilege is also highly motivating. Second, it can be construed as economic gain. If the industry is perceived as potentially profitable, leaders can see an enrichment motivation to leave the official union and thus better control potential profits.

The argument

Resources drive the choice of union leaders. Those decisions then have aggregate political repercussions, creating interest representation in a more pluralist or corporatist framework, so that often we end up with a mixed system with some elements of statism, corporatism, and pluralism. We must analyze institutional formation by looking at the trade-offs which face union leaders. The choice can be modeled as a choice between the “big gamble” – leaving the official union structure – and the status quo – remaining within the official union structure (which in the Soviet and post-Soviet cases is also changing and therefore can also be modeled as a gamble but a smaller gamble). In no case is the value of any one factor sufficient to explain the leader’s decision to stay or exit the official unions; instead it is a complex decision based on balancing the various risks and benefits.

The choices and options can be modeled as a series of decision points. The flow chart in Figure 2.1 graphically shows the nature of the relationships between various factors, the precedence orderings and the influence on either institutional change or formation. The starting point is the monolithic Soviet official trade union (OTU) which has complete control of social insurance funds (SIF). The first decision point regards that control. If control of SIF by the official trade unions is certain and secure, there is a low likelihood of new union formation. If the control of social insurance is removed from the official trade unions, there is a high likelihood of new union formation. This control of SIF is critical to the system. It is a government incentive to a monopolistic trade union structure. This concept is actually much more than control of SIF (although that is the most important and valuable part). It also refers to official union control of other state resources: housing, day cares, property, resorts, vacation vouchers, and so on. These assets are strong incentives to remain with the old union structure.¹² Other government policies also still have weight for the old unions. Most of the formerly official unions have not been stripped of automatic memberships, government collection of dues or property received as the official state institution.

The second stage of the decision-making process occurs if the official trade unions still control social insurance and other government assets. Then industrial characteristics and internal union

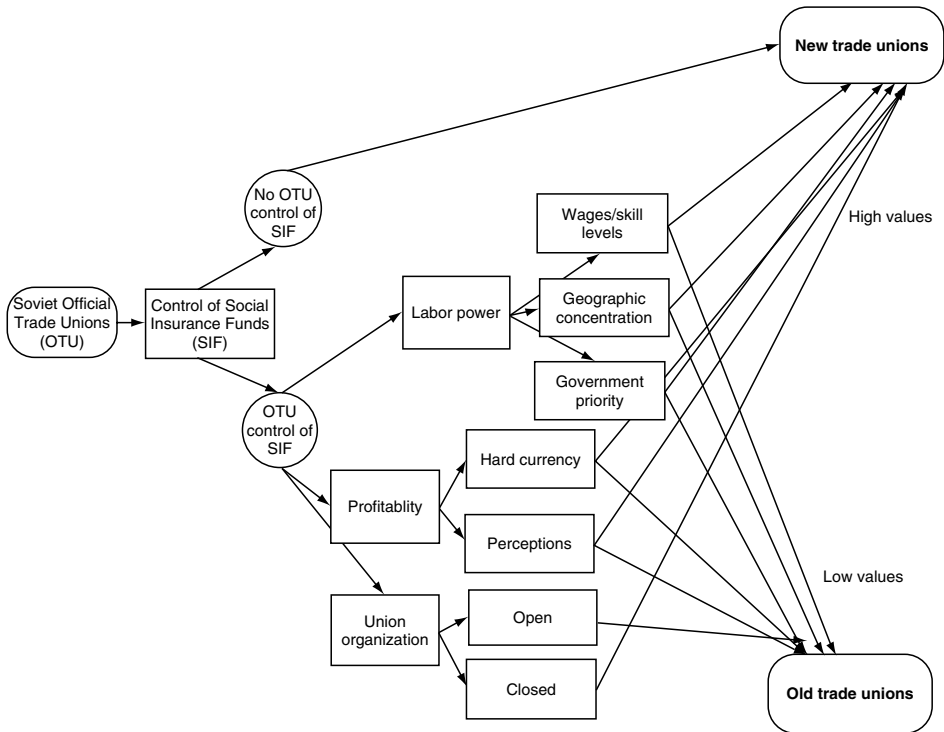


Figure 2.1 Determinants of union formation – a model

organization characteristics come into play (discussed in Chapter 4 for the Soviet period and Chapter 5 and 6 for the post-Soviet period). The industrial characteristics are labor power and profitability. The internal union organizational characteristics are whether decisions are made within the union in an open fashion, allowing room for discussions of change and reform, or in a closed fashion, allowing for no discussion and no option of change.¹³

Industrial characteristics are important in the broader literature of union formation and industrial relations.¹⁴ Certain industries have a higher propensity to strike and to form unions despite governmental constraints and disincentives. In particular, those industries with high labor power, characterized by highly skilled, geographically concentrated workers with a high strategic priority to the state have a high propensity to form unions. The workers in these industries are difficult to replace due to the highly skilled nature of their work. They are also difficult to replace if they are highly geographically concentrated. Other workers must be brought in from different regions to replace them. Geographic concentration also helps to reduce the costs of collective action.¹⁵ The idea of strategic sector is also key. Certain industries are a high priority for the state and so closures, lock-outs and labor unrest would be highly expensive and would need to be avoided.

Profitability is a uniquely Soviet variable. While some labor scholars argue that industrial profitability is important, that argument is made in a Western context, that is, unions cannot make and achieve financial demands from bankrupt companies. In the Soviet sense, it is a perception of the market and its ability to bring “riches”. In a system which ran on the “Plan” and not on the basis of profit and loss, the ideas of profit are amorphous and poorly understood. In addition, the system was based on collective ownership. As the initial discussions of profit burgeoned, many workers felt that if their company was profitable, they too would profit in a direct way. This emboldened many trade union leaders to branch out on their own to better control future profits.

In general, the higher the perception that an industry has labor power and profitability, the higher the likelihood of new union formation. Since labor power is both more concrete and more lasting as a concept, I assume that it will be the more important of the two industrial variables.

The outcome of this study – how leaders respond to new opportunities presented by system-level changes – will shed light on the nature of institutional formation (and reformation) and interest articulation in these countries. This will enable us to determine how the post-Soviet systems in Russia and Ukraine are developing in terms of interest groups and interest representation, utilizing a framework of statism, corporatism, and pluralism. This will allow an exploration of whether that distinction matters in terms of policy choices and political action.

The apparent paradox of the resurgence of official unions in Eastern Europe and the former Soviet Union, I would argue, is thus not really a paradox at all. It is a logical conclusion based on the nature of the politics of the situation. It is therefore logical to assume – if this logic proves correct – that eventually union structure will become corporatist and old official unions will win out unless new unions can co-opt the selective benefits currently controlled by officials or if the control of the SIF funds changes hands.

Factors in the calculus of trade union leaders

Status quo/SIF

The status quo variable should capture the benefits involved with belonging to the official union structures. This can be conceptualized as the official union control of social insurance funds. This variable is a proxy for formal government ties to the unions as well as a measure of the financial benefit of remaining with the official union structure. Ideally, we could also measure other ties to the government such as union distribution of scarce goods or provision of housing stock, but those data are relatively unavailable. Union control of SIF funds can be seen as a “safe gamble” meaning that control of the SIF funds is not assured as the regime changes and there is always an element of risk that the official unions will lose control of these funds; however, during the Soviet period, control of SIF remains fairly constant. This characterization (safe gamble) takes into account both the aggregate value of the insurance fund and the uncertainty of continuing control under a system in transition. The probability of continued control was extremely high under the Soviet regime and has been declining. Initially, we can operationalize the probability

as high during the time period 1989–90 and low in the period 1992–3.

Labor power

Labor power is the value of the workforce and the importance of the industry in the economy as a whole. A union which has “high” labor power is one in which workers cannot easily be replaced due to special skills or training, where they are geographically highly concentrated, or where they have a special place in the economy of the country. More highly skilled workers have relative job security due to the high entry costs of learning the appropriate skill; their labor market is therefore characterized as a closed labor market. They tend to be bold in making demands on employers since they are not easily replaced. Therefore, they are the groups most likely to form unions and bear the potential costs of collective action.

Geographic concentration lowers the costs of organizing new unions. Since entire towns are based on, and work for, the local enterprise, workers are also hard to replace, have job security, and feel able to take risks such as organizing new unions or going on strike.

Traditionally, defense and heavy industries (steel, cars, planes, extractive, etc.) have received preferential treatment by Soviet planners. They have received higher levels of investment, better inputs, better workers, and more scarce goods to allocate to their employees. In addition, some industries in the Soviet system are critical to the operation of other sectors. Those industries (transport – especially railroads – coal, steel, oil, gas, gold, metals, minerals) are key to the growth and well-being of the economy as a whole.

Unions with “high” labor power, therefore, have more leverage vis-à-vis the employer or state to make demands and have those demands met. They have lower costs in terms of organizing new groups, and they are well situated to take risks in order to gain future benefits.

Labor power can be measured objectively in three ways: wage grades (skill levels); concentration or dispersion of workers in the industry (percentage workforce in an area); and official, national-level government pronouncements of industrial priorities.

Profitability

Initially I intended to operationalize potential profitability as access to hard currency earnings and the difference between ruble and

currency prices (proxy for subsidies). Industries which are highly profitable are perceived by labor as able to afford acquiescence to additional demands and as good targets for those demands and, therefore, such industries are often the target of union organizers. In the Soviet context, workers and union leaders also assumed that they would directly benefit from profits. Hard currency access is an important measurement of potential profitability for Soviet and post-Soviet enterprises due to the non-convertible nature and later devaluation of their currencies. However, these data were not available. It also became clear to me that the perceptions of profits were far more important to leadership calculations than the reality. Therefore, profitability is a perceptual variable measured through interviews.

Union organization

Unions, even in stable democratic societies, are rarely democratic in nature. They tend to be oligarchies with power concentrated in the hands of the leaders.¹⁶ Leaders, however, can be a diverse group. There can be many leaders within a union, each of whom has different interests and agenda. Therefore, the way in which decision processes are structured (open/closed) can affect how they pursue their interests. I hypothesize that in a more open union structure, leaders who disagree with the policies adopted by the union are more likely to use the option of “voice”, utilizing the many available avenues to attempt to change a policy or decision with which they disagree. If a union organization is closed, I hypothesize that leaders who disagree with the policies adopted by the union will choose to “exit” and seek to establish an alternative union since all avenues of internal change are closed off.

An open union organization is one in which agenda are set by committee or with input from various groups of elites, critical issues are put to a vote of the leadership (and sometimes the rank and file), decisions on resources are discussed or voted upon, communications are relatively open, and leaders are nominated, elected, or dismissed by a procedure in which leaders and/or rank and file may participate with little or no constraints.

A closed union organization is one in which agenda are set by a single leader or single faction within the leadership, critical issues are decided and policies set by that same leader(s), communications are

censored or controlled by those leader(s) and leaders are nominated, elected, and dismissed in procedures that provide for little true participation.

The nature of union organization has ramifications for decision making but it is important not to confuse open union organization with democracy and closed union organization with authoritarianism. These concepts do not apply. There is a natural predilection for associating “democratic” interest groups or institutions with “democratic” societies and the same for “authoritarian” groups and systems. That assumption does not hold true. The nature of union organization does not determine the nature of the regime or system. Most trade unions have fairly “authoritarian” decision-making processes, even within democratic systems. They tend to be hierarchies with the goal of survival for the institution and the leaderships. So we should not confuse open/closed organization with type of system.¹⁷

Case selection

I have chosen to study four unions: coal miners and railroad workers in the Soviet period and metallurgists and aircraft engineers in the post-Soviet period. These unions were selected because they offer interesting tests of the effect of the independent variables which I posit are important to the leaders’ decision-making processes. In addition, these unions are important for historical, theoretical, and practical reasons.

Coal mining is a closed union organization and railroads are a more open union organization, therefore analyzing the two of them in the Soviet period will be an interesting test of the importance of union organization as an independent variable. I expect coal miners to exit and railroad workers to stay in the official unions, based on the union organization variable.

The coal miners were the first large group of workers to utilize the strategy of mass strikes under the Soviet regime. Although these strikes did not lead immediately to changes in the union structure, strike committees and mass unrest were definite contributing factors to the internal union debates and eventually to the permanent split within the coal union. Coal mining unions also have a history of radicalism both in other countries (Britain, USA, Germany) and in the Russian/

Soviet context (1905 Revolution, 1917 Revolution and 1989 strikes). In addition, the coal-mining industry was an integral part of the Soviet economic strategy aimed at developing heavy industries. Coal is an important strategic resource and an interesting test of the hypothesis that access to hard currency is an operative factor in the decision to leave or stay with the official union. In terms of labor power, coal mining is a very geographically concentrated industry which should make group and union formation easier and more likely.

Railroad workers are also of interest for historical reasons. The railroad workers were highly active in the revolutions of 1905 and 1917. Railroads are also important in terms of infrastructure and are a key to distributing goods in the former Soviet Union. Railroad workers have little or no access to hard currency but have high levels of labor power due to their position of importance in the economy (there is little trucking, most goods travel by rail). In addition, railroad workers are geographically dispersed and so would have greater difficulty in organizing a union.

In the post-Soviet period, the metallurgical workers and aviation workers will be a critical test for the SIF hypothesis. In Russia, the Yeltsin administration removed SIF funds from the control of the official unions while in Ukraine these funds remained firmly under the control of the central union structure. Again both industries are classified as heavy industry, traditionally favored industrial groups in the Soviet economy. The metallurgical workers have extensive ties with the coal miners (due to proximity of industries as well as similar concerns) and demonstration effect may be present. In addition, there are several intervening variables which these two cases help to test: privatization and conversion. Given the importance of defense industries in the former Soviet Union, I wanted to choose at least one defense industry. The policies and pace of changes in Russia and Ukraine differ dramatically. In Russia, privatization has made real progress while in Ukraine it has not. The same is true of conversion. If these intervening variables have a strong effect, these cases should show that effect.

Conclusion

The model of union formation and change posited here suggests that there are four variables at work in the decision either to stay within

the official union structures or to exit and form a new union: control of SIF, labor power, profitability, and union organization. The most important factor is control of SIF. This will be demonstrated most effectively in Chapters 5 and 6 by analyzing the differences between Russia and Ukraine.

The purpose of the following chapters is to present the evidence to support the argument that these variables are the factors driving institutional change and formation in these cases and to come to some conclusion about the nature of post-Soviet labor relations and the impact of the transition on post-Soviet institutions.

3

The Soviet Legacy and State–Society Relations: the Case of Trade Unions

Trade union leaders make decisions on the goals and organization of their institution within the constraints of the system in which they exist. During the Soviet period, there were many constraints on the behavior of trade union leaders, including a prohibition on the establishment of competing representative institutions. However, as the Soviet Union began to change under Mikhail Gorbachev, these constraints also began to change. Leaders had more options and more decision-making power, including, eventually, the option to choose to leave the official trade union. In this chapter, I will analyze the nature of Soviet trade unions and their responses to the changes imposed by the Gorbachev regime, which later became changes “from below” as well as “from above”.

Institutional transformation is affected by the political and economic logic of change. Changes at the system level lead to changing costs and incentives facing union leaders which can lead to change in the trade union as trade union leaders are confronted with a series of choices, including the choice to stay with the official trade union (OTU) or to leave. However, the historical background and structure of the unions as well as a leader’s own experiences can lead to continuity (no change) in the structure, organization, and goals of the trade union despite wide ranging system-level change. Trade union leaders could also opt for change, ranging from modest to drastic. This understanding of continuity and change will help us to analyze the nature of the decisions the leaders of institutions face in times of

rapid change – in other words, how regime transition yields shifts in state–society relations and institutional change.

This chapter will address the question of the political and economic logic of change and the effects of the deterioration of the old system on the institution of trade unions during the Soviet era. The regime used a carrot and stick approach to control the behavior of trade unions during the Soviet era. These mechanisms of control and the intent of the leadership changed dramatically under Mikhail Gorbachev. The reforms that changed the relationship of the state and the trade unions also often had unintended consequences which will also be analyzed. Many factors were at work during the Gorbachev era, including demonstration effects, the removal of fear from politics, and massive economic dislocations caused by reforms or their unintended consequences. These policies and unintended consequences changed the environment in which institutional leaders made choices. The incentives and costs facing trade union leaders changed, along with, or in response to, the environment. As the system opened, opportunities and costs changed dramatically. Under the old system, there had been negative sanctions for non-compliance or non-membership. For example, non-compliance could have led to expulsion from the Party, leadership, or trade union. For non-members, sanctions included exclusion from the collective agreement and missing out on OTU benefits such as sick pay, vacation vouchers, and maternity benefits. Under the changing system, rewards of wage increases and scarce goods to workers for striking in some sectors became more common. For example, air traffic controllers and coal miners were “rewarded” with additional consumer goods, foodstuffs, increased wages, and other concessions following strikes in 1988 and 1989.

The loosening of authority at the system level, resulting from Gorbachev’s reforms (see below), had dramatic effects for institutions. This loosening of authority occurred at all levels: national, regional, and institutional. This allowed a wider range of autonomy in which individual choice became important. It is these individual choices – for my purposes, of union leaders – which are the focus of this study.

Trade union leaders, and members, spent years within the official trade union organization. Such experiences do not evaporate over night and often affect one’s perspective and future behavior. Path

dependence, the idea that the past strongly influences the present shape of institutions and their formation or reformation, is especially important in the Soviet and post-Soviet context. These post-Soviet countries are attempting to make radical changes from their system of interest representation, ideologies, institutions, and societal norms. Such changes, while possible, are affected by what came before, the historical legacy of communism.¹ History does not determine outcomes but it does have an impact, so we must understand the context out of which our cases and analyses come. This chapter will provide that historical context.

Four factors influence the probability of trade union leaders making the decision to form new, independent unions: labor power, profitability, union organization, and government policy (conceptualized as the status quo with respect to control of social insurance and other state resources). During the Soviet period, these factors varied between industries and their unions. It is these variables that structure the decision-making calculus of union leaders, specifically the decision of union leaders to remain with or leave the official unions, which are the focus of this study. The decision to stay or leave the official unions not only occurred at the branch or national level but, as the Soviet Union crumbled, the regional, *oblast*, and local levels as well – even the enterprise level. The logic of change remains the same at each level, and it is the individuals within the institutions – the leaders – who are making the decisions to leave or stay.

The growing uncertainty over control of resources in all political institutions led to a fragmentation of political power and a fragmentation within the trade unions. As control and authority broke down, union leaders looked for ways to negotiate a place for themselves and enhance their own security which led to the creation of new unions or the reform of existing ones. This uncertainty also presented union leaders with the question of how they would deal with the changes. Some leaders chose to react to the changes as they came, others chose not to react and continued to act in the same ways as in the past, and others took action in anticipation of the changes. Political and economic reform altered the environment in which union leaders made choices and expanded their options. In this chapter, I will lay out the ways in which the environmental changes of Gorbachev's reforms, and the historical context, affected the decision-making calculus of union leaders.

Soviet trade unions

The official unions in the Soviet Union were not “unions” in the accepted Western sense of the word. Trade unions were “dual-functioning” in communist systems. Their primary tasks were management functions: plan fulfillment, the distribution of social benefits, and worker productivity.² The other function was that of a traditional trade union: worker protection. Since, theoretically, the state was run by and for the workers, higher productivity benefited everyone, including workers; thus protection of workers from arbitrary management practices was considered, by state rulers, secondary as it was rarely seen as a problem.

Soviet trade unions had little historical basis. The first workers’ organizations appeared in Tsarist Russia only during the upheavals of 1905.³ They organized themselves into soviets not unions. Strikes were sporadic revolts, not planned events. Trade union conferences were held in 1905 and 1906 but were suppressed by parties of the left. In February 1917, there was a revival of unionism.⁴ By the summer of 1917, there were 1.5 million trade union members and by October, there were over 3 million.⁵

Throughout the first years of Bolshevik rule, the debate over the role of trade unions continued and it culminated in March 1921 at the Tenth Party Congress. Three positions on trade unions were expressed at the Congress. The first was the position of Leon Trotsky and Nikolai Bukharin, who urged the total subjugation of the unions to the Party. Unions were to enforce “military discipline” on their members to save the country from economic collapse. They advocated coercive measures against laborers who did not conform to “labor discipline”. The other extreme was espoused by the Workers’ Opposition, headed by Alexandr Shlyapnikov and Madame Alexandra Kollontai. They wanted the unions to be independent of Party and state control. The third position was taken by the “Group of Ten,” headed by Lenin and trade union leader Mikhail Tomsky, who argued for a middle position: trade unions which were somewhat independent but with Party and government supervision. The Leninist position won.⁶

The culmination of the debate over trade unions in the 1920s laid the foundation and set the environment in which trade union leaders made decisions for the next 66 years. Trade union leaders were

nominated by and guided by the state in all decisions. The sanction for disobedience was extreme and ranged from losing one's position to exile (and, during Stalin's years, death). The trade union rules, written and approved under the guidance of the Party, determined the costs and benefits under which trade union leaders made decisions at all levels.

The USSR Trade Union Rules (1977) stated that

Soviet trade unions are mass non-party organizations uniting on a voluntary basis people of all trades and professions irrespective of race, nationality, sex or religion... Under the guidance of the Party, Soviet trade unions have traversed a long path of development. They have grown into a mass organization of the working class which exerts a beneficial influence on the cultural and social life of Soviet society.⁷

This passage highlights the official goals of the trade union movement under the Soviets: (1) the organization and control of the people; (2) to keep under the guidance of the Party, and (3) the control of the trade unions themselves by the Party and the state. Unions have been termed both a "transmission belt" from the Party to the people and "schools of communism." Their primary functions were to garner the support of the workers for the regime and enforce worker productivity. As long as they were subordinate to the Party and state, unions served a useful purpose. But autonomy of decision making was non-existent during the early years, especially under Stalin. Under Nikita S. Khrushchev, trade union leaders had more room to maneuver: as a matter of fact, two successive chairmen of the AUCCTU had full Presidium membership; in addition, there were a number of trade union leaders in the Central Committee. Throughout the rest of the Soviet era, trade union leaders had some input to, and some impact on, decision making, in particular through their right of legislative initiative.⁸

Western scholars often referred to trade unions as "dual functioning", citing their primary function of encouraging productivity and their secondary role of protecting the interests of the worker, but this secondary task was often ignored in the traditional Western sense of the protection of workers' interests (safety, labor-management relations, etc.).⁹ Granted, Soviet workers had some protection but when

push came to shove, the interests of the Party and the Plan always won. The status and influence of Soviet workers and Soviet trade unions ebbed and flowed as central policy changed, as did the stress on their dual tasks. At some times productivity and the Plan had precedence and at other times, protection of the workers was stressed.¹⁰ The behavior of the trade union was also dependent on the industrial sector with which it was affiliated. Heavy industry's trade unions always had more leeway and offered more perquisites than those of light or service industries. The trade unions in the military sector also had greater room for maneuver.¹¹

One of the ways in which Soviet trade unions did "serve the interests of the workers" was through their "concern with the material welfare of workers." The trade unions performed three functions which in the West are the province of government or management: (1) administration of social insurance funds (SIF)¹² or what we term short-term cash benefits such as sick pay and maternity benefits; (2) administration of pension funds; and (3) the provision of housing and other facilities.¹³ Trade unions and enterprises often distributed scarce goods and provided services to members (ranging from sausage and cheese to day care and housing). The "cultural activities" of the trade unions were widespread. In addition to propaganda and ideological training, trade unions ran media outlets, set up clubs, palaces of sport and culture, established libraries and "Red corners," showed films, ran tourist jaunts (especially pilgrimages to Lenin's mausoleum), offered art classes, musical performances, and supported schools and universities. Trade unions also had the right of "legislative initiative" and used it on a regular basis. They drafted laws, statutes, and rules as well as leading public discussion once they were published.¹⁴ These "rights and privileges" of trade unions actually constituted control of governmental resources. Trade union power stemmed, not from working-class support, but from being allocated control and disbursement privileges over important, and scarce, goods and resources. This was an important factor in the Soviet period because it tied the fate of trade union leaders to state resources and therefore state policy. These policies also tied union members to the official union, which was a definite constraint on a union leader who might have wanted to form a new union. Not only would the Party frown on a competing union organization, but members would also be opposed.

Unions were organized on the branch or industry basis. Thirty¹⁵ such unions were joined at the top by the All-Union Central Council of Trade Unions (AUCCTU) which operated on the principle of democratic centralism. Union membership consisted of all employees within the industry. In other words doctors, lawyers, electricians, enterprise management, janitors, and underground miners were all members of the Coal Miners' Union if they were all employed in a coal-mining enterprise. The unions had a state-granted monopoly in their respective industries. This type of organization allowed for maximum Party control and also precluded any choice on the part of union members.

Union representatives worked with management to set norms and skill levels for workers which influenced wages and bonuses. Trade unions controlled pension funds and their disbursement. The plant's union committee was legally required to sanction any worker dismissals. The jobs and remuneration of trade union activists and leaders were dependent not on the rank and file but on their superiors in the branch union or at the national union headquarters. Often union jobs were also dependent on enterprise directors and Party officials as well. All of these considerations make the unions' leaders less responsive to memberships. They also gave ammunition to the claim that Soviet unions were not unions in the Western sense but were administrative state bureaucracies. These factors also made the Soviet trade union leader highly dependent on the state and the Party for job, bonuses, and power.

Membership was technically voluntary, but workers had one percent of their pay automatically withheld as dues whether they joined or not and were subject to union-negotiated labor agreements regardless of membership.¹⁶ In addition, the unions controlled many social benefits such as kindergartens, vacation resorts, health care, and so on. Unions sponsored the "houses of culture," sports facilities, libraries, and theaters. They operated educational programs, administered social insurance, and controlled housing allotments. Most of these benefits were not available to non-members.¹⁷ These benefits also gave union leaders leverage against members but in turn they were left highly dependent on the state for their power and perks.

Individual union organizations varied greatly depending on branch of industry, location, and status. For example, the Kirov

Metalworks Factory in Leningrad offered more goods and services to their employees than a textile factory in Ivanova or a dress shop in Yaroslavl. Not only was metalworking considered more important to the state but metallurgical works, generally, were centrally located, urban, and had a predominantly male and highly skilled workforce. Trade union leaders in more prestigious industries in urban areas generally had more goodies to give out, hence more power and therefore were more tightly controlled by the state.

Under the Soviet system, there was no independent political action by workers and the unions were one means of ensuring that. Officially, unions fell “between Party and government,” in practice, unions were part of government and Party. Trade unions functioned as a branch of government – their main duty was ensuring plan fulfillment. The CPSU had a monopoly on interest representation – independent parties or social movements were strictly forbidden. Union leaders were chosen by the *nomenklatura* system and their primary function was to improve labor productivity, not to promote the interests of the worker, which were seen as identical to those of the state. This selection process bound them to state and Party and was one element keeping trade union leaders from enjoying any autonomy.

In theory, the unions existed as workers’ organizations but workers were indifferent to or alienated from these structures and thus they were seen as part of the ruling Party–state apparatus. During the 1970s, émigré surveys showed that 72 percent felt that trade unions had no effect on wages and 61.7 percent said that trade unions had no effect on worker welfare.¹⁸ Workers felt alone and isolated in the “workers’ state.”¹⁹ Under Khrushchev and Brezhnev, independent protests were rare and unpublicized – occasional work stoppages of short duration.²⁰ Arrests were common. Mass labor unrest, as in Poland, did not occur. During the 1970s, there were individual attempts to establish independent unions. Each of these attempts was firmly punished. One such attempt was in 1978 by Vladimir Klebanov. Klebanov formed the Free Trade Union Association and, as punishment, was confined to the Donetsk psychiatric hospital. In 1979, several others tried to establish the Free Interprofessional Association of Workers (SMOT): they faced trial, arrest, and psychiatric hospitalization. There are a number of reports of isolated and unorganized instances of labor unrest being met with violence as “anti-

Soviet activity” leaders were sent to labor camps or sentenced to death for economic crimes.

The Gorbachev era

Individuals within trade unions react to system-level changes and cues. When Mikhail Sergeivich Gorbachev took power in March 1985, the AUCCTU claimed a membership equal to 98 percent of the workforce and was considered a close partner with the state and Party in the ruling structures.²¹ The first years of Gorbachev’s rule were quiet on the labor front, little different from previous years. He introduced rhetoric about greater worker involvement in production and management, enterprise autonomy, and restructuring. But he did little, with respect to workers, in his first three years of office. The AUCCTU remained the conservative, politically inert, public organization it had been since its inception. Leaders remained constrained by the old incentive structures.

Gorbachev and his reforms slowly changed the context in which the trade unions operated and in which trade union leaders made decisions. By the end of Gorbachev’s rule, the Party no longer had a leading role, was eventually made illegal, and the workers’ state was no longer a part of the vocabulary. However, as early as 1987, there was a slowly growing recognition among some trade union leaders that the interests of workers, management, entrepreneurs, and the state differed. These changes in the political environment changed the incentive structure facing trade union leaders and gave them more room for autonomous action.

From 1986 to 1988, Gorbachev embarked on a number of reforms. The initiation of *glasnost*, or openness (which at first was fairly circumscribed but soon took on a life of its own), democratization of the workplace, competitive elections within the enterprise and the self-financing of enterprises (*khozraschet*) were particularly important for the trade union leadership.

Glasnost led to a popular understanding of the economic, social, political, and ecological problems inherited from over 70 years of communist rule and command economics. Though at first a limited right of speech and expression, *glasnost* soon gained momentum. The Chernobyl disaster in 1986 revealed the shortcomings and limits of *glasnost*. However, eventually the government issued truthful

statements about the impact of the nuclear “event” which strengthened the policy of openness. Slowly the “blank pages” of history were filled, economic and political problems scrutinized. In December 1988, the Soviet Union ceased jamming Western radio broadcasts and television signals. By June 1990, the Law on Press Freedom codified *glasnost* and abolished the censorship organs. The ability to openly discuss workplace problems, to find out safety standards in other countries, to learn what trade unions did in other countries, and to have the freedom to criticize the Party, ministry, state, and enterprise director were very important in raising consciousness of trade union accomplishments and failings, which served to change the costs and benefits facing trade union leaders. The costs of criticizing or leaving the official union were coming down dramatically.

In addition, travel restrictions on foreigners and rules on fraternization were loosened. Labor organizers – among many other visitors, both business and tourist – flocked to the Soviet Union. They brought Western ideas and Western funds to aid Soviet workers. Initially, there were few takers. However, during the miners’ strikes of 1989, many of the fax machines, xerox machines, and funding came from British and American trade union federations. The impact of foreign capital and agitators cannot be ignored in the changing calculus of trade union leaders.

In June 1987, the Law on State Enterprises was approved by the CPSU Central Committee. This law was intended to give economic independence to enterprises and free them from the dictates of the bureaucracy and the Plan. It also allowed workers some say in the election of their management and was supposed to be an incentive for worker productivity. The Law on State Enterprises came into effect on January 1, 1988 and provided for all enterprises to gradually become more autonomous through the next two years. The idea of enterprise autonomy and the admission by the Party that enterprises could work, perhaps more effectively, without government intervention was innovative and led many, including trade union leaders, to discuss what other tasks could be best performed without the Party and state.

The Central Committee Plenum, in June 1987, also endorsed the idea of self-financing or cost accounting (*khozraschet*). Under self-financing, enterprises would operate on a quasi-profit motive. Decision-making power was decentralized to allow greater autonomy of

state enterprises. On January 1, 1988, 60 percent of state enterprises were put on a system of self-management. The enterprises were allowed to trade "wholesale," set their own prices, and determine their own production targets. In theory, bankruptcy was a possibility for enterprises which lost money. Of 46,000 enterprises on cost accounting, 13 percent were considered ripe for bankruptcy.²² The discipline of the market was supposed to increase quality, productivity, and product mix. These new operating rules made enterprise directors more important and changed the relationship among the troika governing the Soviet enterprise. Trade union leaders, Party chiefs, and enterprise directors began to work under a new set of rules which rewarded labor discipline, productivity, and profit. Self-financing rewarded the same types of trade union leader behavior which had been rewarded by the Plan and the Party. However, these changes also had unintended effects which were slow to become apparent. Some trade union leaders began to see a new need for worker protection. Others saw an opening through which they could gain personal power. And others saw that their future was with the enterprise, not the regional or national trade union structure, ministry, or government. The forces set in motion by self-financing would radically alter the decision-making calculus for enterprise directors and trade union leaders.

Self-financing also gave enterprises the right to trade with foreign countries and firms and to keep some hard currency profits. Potential profitability is an important motivating factor in trade union leaders' decisions to leave the official union. This motivation was unleashed by the Law on State Enterprises and rules on self-financing.

Increased workplace democracy, though limited at first, gave both members and trade union leaders the idea that they should have some choice in how the enterprise was run. It also gave them the cue that the government would allow them to take over some of the responsibilities of running the firms. This democracy had the effect of creating huge discussions and arguments within the trade unions on what their goals and responsibilities were and should be.

In May 1988, the Law on Cooperatives was adopted. This legalized small and medium-size businesses. However, a large number of difficult bureaucratic hurdles, as well as public distrust, limited the growth of cooperatives. Cooperatives had the right to set their own prices and wages as well as to produce according to market, not Plan,

demands. This new autonomous sphere in which business could be done was an example to people with initiative that the government was serious about reforms and would let them take a variety of forms, including ones that had been considered heterodox just a few years earlier. Cooperatives were a harbinger of private enterprise.

The Nineteenth Party Conference, in June 1988, proposed and passed a number of crucial political reforms with broad economic ramifications. New electoral laws, a new legislative body (the Congress of People's Deputies, CPD), the division of authority between legislature and executive as well as between Party and state was extremely significant in lowering the risks of opposition to the powers that be. They were actually, if not inviting, at least acknowledging that competition and shared power was essential to increased economic performance and political development.

The elections and the first session of the Congress of Peoples' Deputies in 1989, in particular the vigorous and uncensored debates covered on live television, energized the debate further. *Glasnost'* had started as limited rights granted from above but had taken on a life of its own.

Strikes by air traffic controllers, the formation of a new union of journalists, and other labor unrest, culminating in the summer coal-mining strikes, showed categorically that the risks of leaving the official union, of bucking the system, had gone way down. The miners' strikes in June, which spontaneously formed strike committees, also led to serious reconsiderations of the role of trade unions and whether the official trade union was capable of reforming or needed to be replaced. It was only after these strikes that independent unions began to form.

The incentives facing trade union leaders changed rapidly. Criticisms of the state and Party rule, stemming from *glasnost'*, weakened the authority of the state and in most cases of the trade unions, which were closely identified with the state. The Party and state allowed electoral competition and encouraged enterprise democracy, at least within limits. These changes in authority structures and state policy allowed room for individual trade union leaders to take the initiative to act. The leaders' primary choice was to stay with the official union or to leave it. Sanctions for leaving the official trade union (OTU) were rapidly diminishing. The *nomenklatura* system was failing, as was accountability to the Party and state.

The economy was rapidly disintegrating. Queues and shortages increased. In 1988, Soviet GDP (gross domestic product) fell 2 percent. In January 1989, 80 percent of state stores rationed sugar and many rationed butter and beef.²³ These economic problems further eroded the legitimacy of the Party and current leaders.

The dissolution of authority at the centers of power led to a change in the power relationships within the system as a whole. The republics and regions became as – if not more – important than the center. This was also true within the trade unions. Under the Soviet system, the peak association, the AUCCTU, had been the most important and powerful actor. As the Soviet system broke down, new levels began to assert themselves. Regional union leaders, local union leaders, and enterprise-level union leaders began to see a dramatic change in central authority structures and began to weigh the costs and benefits of a whole range of choices, not the least of which was whether to remain within the system of official trade unions or to embark on a new road and form a union independent of the old structures. All of the events, laws, and policies mentioned above had contributed to the dissolution of power and authority within the system, leaving room for others to grab power, which some trade union leaders soon opted to do.

The beginnings of change: the official unions

Personnel turnover, especially of a generational nature, can be a good indicator of change. There was continuity in the leadership of the AUCCTU during the first two years of Gorbachev's rule. In February 1986, three-quarters of the secretariat of the AUCCTU remained unchanged – they had been elected at the seventeenth Trade Union Congress in March 1982. Five secretaries had more than 70 years between them. In September 1986, Gorbachev made his first major speech on democratization. In it he commented negatively on the performance of the trade unions. This was considered a signal for the open criticism of the official unions and the beginning of a press campaign which focused on ways to reform the AUCCTU.

The single most important factor in the beginning of change in Soviet trade unions, and the change of incentives/costs for union leaders, was the implementation of *glasnost'*. Discussions about the role of trade unions began almost immediately in the press. However

it was not until January 1987 that the issue made the agenda of the official trade unions (AUCCTU) when, in a speech in Krasnodar, General Secretary Mikhail Gorbachev called the official unions “toothless” and accused them of being under the thumb of management.²⁴ By February 18, the official unions reacted. At the Congress of Soviet Trade Unions in Moscow they agreed to “rethink the role and place of trade unions in society.” This was the first sign, within the trade unions, that they were losing their authority and beginning to open up lines of communication and decision making.

Post-1986 political conditions lowered the costs of protest and removed the “fear factor” from Soviet politics. *Glasnost’* allowed more types of expression, including strikes. However, 1985–8 were generally quiet years, in keeping with the labor quiescence under Soviet rule. When real strike activity finally began in 1988, labor unrest was no longer being met with arrests, confinement, and gunfire but with negotiations and concessions. Many of the strikes were national or ethnic in character. Often the strikes supported the cause of republic autonomy or sovereignty. However, some of the strikes were economic in nature. What had changed? The level of fear of repression had decreased, with the initiation of *perestroika* and *glasnost’*. Dissent was viewed more tolerantly; even *Pravda* was printing criticisms of the system. In addition, the dissent was framed as pro-Gorbachev. The labor unrest was ostensibly supporting more Gorbachevian changes – so to some extent it was perceived as “pro-system.” The system was slowly reforming – too slowly for some, the coal miners in particular. The costs and benefits to trade union leaders of leaving the official union had not yet changed. The costs – losing social insurance and other social perks, and possible repression – were still high. The benefits of leaving were not yet evident.

By the end of 1986, the official union began to change. Retirements, promotions, and transfers substantially changed the leadership of the official union. Some Brezhnev appointees remained, like chairman Stepan Shalaev, but many fewer than before. The eighteenth Trade Union Congress re-elected only one member of the Secretariat and only seven members of the Presidium.²⁵ This began to change the expectations and strategies of trade union leaders. For the first time, there was a possibility of meaningful change and more rapid mobility. Trade union leaders, at all levels, began to notice new opportunities.

In 1987, the introduction of quality control (*gospriemka*) and the brigade method were further signs of change. The increased work and discipline initially brought increased wages, up 5.7 percent in the first half of 1988. The lack of goods to buy with the extra rubles soon caused discontent. Workers began to tell cynical jokes about *perestroika* and *glasnost'*: "Two dogs are chained in the yard. The first dog asks the second what he thinks of Gorbachev. The second dog says, my chain is a little longer and I can bark as much as I want, but the food dish is still out of reach!" *Perestroika* and *glasnost'* benefited the intelligentsia, who could talk all they wanted, but there was no result, nothing in the stores. Working harder for mere rubles was becoming less and less attractive. Soon, pay cuts attributed to the new work rules (*gospriemka*) – mostly due to loss of bonuses which were an integral part of the Soviet pay packet – led to a wave of unrest which swept the country. The new system was quietly dropped.

Other people interpreted Gorbachev's speech (January 1987, Krasnodar), as an invitation to set up alternatives to the official unions. They saw a reduction in the risks of starting alternative workers' organizations in his criticism of the AUCCTU. In March 1987, a workers' club called "Workers" (*Rabochii*) was founded in Sverdlovsk at a motor factory. Other workers' clubs and organizations followed. In February 1988, the situation changed: small trade unions began to be formed and the Committee of Democratic Trade Unions (*Komitet Demokratizatsia profsoiuzov*) was founded in Leningrad; and in May, the first congress of the Trade Union of Independent Journalists (*Profsoiuz nezavisimykh zhurnalistov*) was held in Riga, Latvia. These groups were very small and lacked the resources of the Official Trade Unions (OTUs). Very few trade union leaders saw the benefit of striking out and forming independent groups. The intelligentsia and a few radicals were the only ones taking the risk of forming new workers' institutions.

More dramatic events were soon to follow. On February 18, 1989, the Founding Congress of the Union of Workers of Ukraine (*Soiuz rabochikh Ukraini*) was held in Gorlovka, Ukraine (Donetsk Basin) and on February 25, the founding meeting of the Association of Flight Personnel (*Assosiatsia letnovo sostava*) was held. On April 1, the Socialist Trade Union or *SOTSPROF* was founded in Moscow (*SOTSPROF SSSR – Sotsialisticheskie profsoiuzy SSSR*). The above groups favored reform and supported *perestroika*. Groups also formed in opposition

to the reforms. For example on April 22, 1989, the Union of Workers' Committees of Leningrad (*Soiuz rabochikh komitetov Leningrada*) was founded. And on June 13, the Leningrad United Front of Workers (*Ob"edinenii front trudiashchikhsia*) was founded. Pandora's box had been opened and, slowly, individuals were taking advantage of the new climate.

Stepan Shalaev (AUCCTU chair) argued that strikes were "not a normal phenomenon" and announced that the AUCCTU opposed spontaneous strikes. Although the rhetoric was slowly changing, only minor repairs were prescribed. The legacy of Soviet unionism was strong. The leaders of the trade unions at the branch level seemed well aware that the state policies of automatic membership, automatic dues withholding, and OTU control of state resources such as social insurance and housing lists gave them a strong hold on the membership and seriously disadvantaged any rivals.

In July 1988, *Moscow News* published a poll of Muscovites about the fairness of high salaries and privileges for the leaders of various organizations. On a scale of 2–5 (2 being totally undeserved and 5 being all privileges deserved) trade union leaders received a 2.7, far lower than all other institutions polled. *Moscow News* suggested that this meant that the unions were perceived as protecting the administration from the workers and not vice versa.²⁶ The seeming illegitimacy of the OTUs was negated by their control of state resources which most workers saw as essential to their lives.

In October 1988, the tide began to shift. *Trud*, the official newspaper of the AUCCTU, called for greater independence and autonomy for the trade unions. What had been a rhetorical discussion of likely changes became real. The costs of change facing trade union leaders, especially the option of leaving the official union, had radically dropped. The authority of the OTUs in the republics had crumbled. However, in the Baltic states where there were the most vocal and radical trade union activists, there was an intervening factor, that of the aspiration for independence. Workers in the Baltic states were more willing to risk giving up state benefits for the larger benefit of becoming independent, at which point many believed their new governments would provide the benefits upon which they had come to rely.

However, from January to March 1989, the AUCCTU was still acting in the "old way." One hundred seats were allocated to the

AUCCTU from the 750 reserved for public organizations in the new Congress of People's Deputies. On January 18, 1989, the Fourth AUCCTU Plenum nominated 114 candidates for 100 seats. It actively defended its candidates in public and in the media against accusations of bureaucratism, formalism, and unresponsiveness from trade union members. No member of the trade union hierarchy stood election for an open, contested seat. On March 22, 1989, at the Fifth Plenum of the AUCCTU, 100 of the 114 were elected to serve in the CPD despite numerous complaints from the rank and file. The benefits – in this case political benefits – of remaining with the official union were still strong. Members still had few options, none of which could supply them with the benefits of the OTU. Leaders still worried about how far they could go in demanding reform or in leaving the official trade union.

On May 1, 1989, *Sotsialisticheskaya industriya* published an article entitled “For what do we need a trade union?” The author, Aleksandr Auzan, argued that the unions were totally subservient to state interests and did not defend workers' interests in the least. He called the official unions “all-union grandmothers” because they were always poking their noses into the business of others, had no relationship with reality, and no one listened to them at all.²⁷

At about that time, the official unions proposed a new “draft law on trade unions” which stopped short of recognizing a right to “strike” but did give a right to “stop work” if management did not agree to a solution reached through arbitration. Stepan Shalaev, chairman of the AUCCTU, said that he did not consider strikes to be “normal.”²⁸ The draft law was very conservative and anti-*perestroika* in many ways. It required trade union approval for bankruptcies and reductions of redundant or unproductive workers. Zero unemployment was an unstated goal. The draft also required trade union approval for price increases on food and consumer goods and gave unions a virtual veto power on the cooperative movement. The adoption of these proposals would have made the closure of unproductive factories, increases in productivity, encouragement of entrepreneurship, and price reform difficult if not impossible.²⁹ These proposals also strengthened the official union by granting OTUs additional powers and privileges.

Trade union leaders became more vocal and took greater advantage of *glasnost'*. *Glasnost'* significantly reduced the risks associated with

leaving the official union and left many societal leaders believing that true openness was not far away. The risk of violent repression went down as *glasnost* broadened and the Soviet political leadership took conciliatory tones with domestic and foreign opposition: in particular, Eastern Europe and the nuclear/conventional arms reduction talks.

The first independent strike committees (*stachkomi*) were formed in July 1989 and led the coal strikes that summer. The *stachkomi* were spontaneous organizations whose purpose was to control the striking workers, prevent disorderly and drunken conduct which could have invited a governmental crackdown, and ensure that upkeep was performed on mine shafts to prevent safety problems after the strike. They also were formed to articulate strike demands and to negotiate with enterprise directors and government officials. Most of the *stachkom* leaders were members of the official trade union but did not hold leadership positions. They considered themselves common workers who were circumventing a cumbersome and unresponsive institution. The legal context had truly changed: where strikes had been illegal and crushed in earlier years, this one was treated differently. Politburo members went to the mines to negotiate. No troops were called out. And on July 23, Gorbachev made a speech on television linking the miners' strikes to *perestroika* and recognized the legitimacy of the miners' grievances. The complaints of the workers were taken seriously and responded to. Instead of attacking strike leaders, Soviet leaders criticized the official unions for their lack of foresight and poor record. This truly reduced the possible risks of starting new labor organizations. The cost of opposing the regime had fallen to zero, at least for important industries like coal mining and aviation (which had struck successfully in February and March). This greatly affected the calculations of trade union leaders. Prior to, and even during, the summer strikes, the idea of forming independent trade unions was considered radical. Many union leaders considered the prospects for true reform of the OTU bleak. After the strikes, it seemed much more likely that reform and the formation of new trade unions could occur. Some leaders of the OTU saw and began to understand the displeasure of the membership and realized that something needed to be done. Some felt that reforming the OTU would solve the problems, others began to think in more radical terms. Premier Ryzhkov, in a meeting with striking miners, called for changes in the

official trade unions and pleaded for trade union unity, thus attempting to co-opt the opposition:

Well, today there are permanent strike committees in the coal industry, tomorrow it will be metallurgy, machine building and so on. We shall only threaten each other. Well, this simply makes it impossible to work normally. Therefore, we have opportunities to attract these healthy forces of the working class. Please, let us involve the work collective councils and the trade unions. I know that very many now have been elected by the trade union. We shall support things from such positions. And we have also consulted with the trade union. I even happened to be speaking to Stepan Aleksyevich [Shalae], and I said, Listen, I see very many people with their wits about them; at long last, involve them in the trade union movement. Let there be some new blood. From such positions we should, I think, approach things so as indeed to use these people in order to create an opportunity to really improve the situation, so that these people may actively participate in this matter.³⁰

In direct contradiction to Ryzhkov's pleas for unity, on August 2, Teimuraz Avaliani, head of the Kuzbass regional strike committee and a deputy in the Congress of People's Deputies, called for independent unions.

Trust in the official unions continued to erode. A member of the Kuzbass strike committee said, "we don't want to be like the old trade unions. Our trade unions have been a force for inertia."³¹ In Donetsk, a strike leader commented, "The most offensive thing was that the trade union did nothing for us. We don't need that kind of union."³² And Avaliani called for new unions in even stronger terms: "You can't get around it with cosmetic changes. We must create fundamentally new trade unions. The present trade unions, working under a system of total subservience and dependence on formulated decisions, are unable to play a significant role in the workers' movement."³³ New trade unions could promise worker protection, wage hikes, and representation but still could not provide social funds or other perquisites controlled by the OTUs. In addition, automatic membership and dues payment was still in place, which made joining a new trade union more difficult and often more expensive as it

was very difficult to get your dues back from the government and OTU.

Once again, slow to react, the Sixth Plenum of the AUCCTU (September 4–7) formally renounced the role of “transmission belts” of the Communist Party (CP) to the masses. From now on they would be “independent.”³⁴ Henceforth the protection of workers would be their primary task. The OTU began to pursue populist policies. They passed a draft law demanding more union control over observance of safety and wage laws and issued an appeal to local governments to take “urgent measures against speculators” in the cooperative movement. Stepan Shalaev, chair of the AUCCTU, called for price freezes on basic foods and industrial goods until 1991. He argued that recent strikes showed a lack of confidence in the government and unions. He also announced that a trade union council for Russia was to be established as it was the only republic whose unions were directly controlled by the AUCCTU and not by a republic-level body.³⁵

On October 9, 1989, a new law on strikes was passed. The law was a compromise. Where Gorbachev had proposed a 15-month ban on all strikes, the Supreme Soviet measure banned strikes in key industries like defense and railways and imposed balloting and arbitration procedures on other strikes. The law came into effect on October 24. The new law did not prevent strikes, even in defense and railroads. Strikes continued to be problematic throughout 1989. Some were nationalist in character, but increasingly they were economic. In particular, many strikes began to demand the implementation of laws such as the Law on State Enterprises, which promised freedom from ministerial dictat and control of hard currency funds in the enterprise.

From October 22–27, 1989, the AUCCTU made additional changes in response to the changing context. The Nineteenth Trade Union Conference decentralized the union structure and turned the AUCCTU into a looser confederation: the General Confederation of Trade Unions of the USSR (*VKP*). Their new leader was Vladimir Shcherbakov. The AUCCTU listened both to the media criticism and to the growing number of workers’ clubs and labor organizations which had formed and which indicated dissatisfaction with the official unions. They became advocates of the workers. Most workers, used to the gap between words and deeds, did not believe them and yet stayed with the OTU. I argue, and will show more explicitly in

Chapters 4 and 5, that the primary reason workers and trade union leaders stayed with the OTU has been their control of state resources such as the social funds. Other important criteria include industrial characteristics and internal union organization.

At the Nineteenth Party Conference, Stepan Shalaev, the head of the AUCCTU, asserted that *perestroika* must not be pursued at the expense of the workers and began expounding on welfare and consumer concerns. He contended that the percentage of national income spent on consumer goods should be increased from 73 percent to 78–80 percent and argued, in the name of social justice, against forthcoming price rises without adequate compensation for the population. Shalaev went farther. He stated that the union should be independent in internal affairs and opposed the intervention of party organs in trade union business. He also opposed cadre policy which “dumped” failed functionaries into the trade union apparatus.³⁶ Shalaev saw distancing his institution from the state as the path to legitimacy.

At the same time, worker protest increased. There were an estimated 2000 strikes during the years of 1988 and 1989, including the nationwide miners’ strike in July 1989, with a loss of over 7 million work days.³⁷ Strikes grew in intensity and in length. Strikes were widespread in 1989 – the official trade unions were totally bypassed and new alternative unions (initially strike committees) were established, predominantly in the coal regions of the Donbass (Ukraine), Karaganda (Kazakstan), Kuzbass (Russia), and Vorkuta (Komi ASSR within Russia).³⁸ Bus drivers, railroad workers, metallurgists, air traffic controllers, and others also struck. These strikes were precipitated by changes in work and compensation rules, coupled with a declining standard of living. Workers were being penalized through bonus reductions for outmoded and broken equipment, lack of inputs, and transport delays because of *gospriemka* and other new rules.³⁹

By 1989, the economic situation worsened and retail price reforms were openly discussed. Shortages grew and economic statistics predicted a rapidly worsening situation. When, early 1990, a trade union official in Estonia leaked a proposed price reform plan for the republic which would have increased prices as much as 250 percent (with some compensation for workers), popular opposition led to a withdrawal of the proposed increases.

The AUCCTU took a higher profile in an attempt to regain some legitimacy and support. Shalaev and others became highly critical of the unions' past inactivity and began to assert a new, more active role for themselves. The OTU newspaper, *Trud*, claimed it was the first to announce the hidden inflation suffered by Soviet citizens. Shalaev announced that more people were bringing complaints to the union, which demonstrated that the AUCCTU was gaining new adherents. Pension increases and social protection became the unions' new issues. Opportunism and the need to regain public trust necessitated such moves. The official unions attempted to distance themselves from their Soviet legacy. These changes within the OTU had varying responses among trade union leaders. High-level officials seemed pleased with the new goals and statements. Many mid-level trade union leaders saw the changes as purely rhetorical and lacking content. They desired more rapid and more meaningful change. Regional trade union leaders were often skeptical. They wanted a decentralization of power and of funding which the OTU was not yet ready to give. At the enterprise level, the situation was more complicated. As central authority diminished, the enterprise troika (director, trade union leader, and party chief) took more responsibility in the running of the enterprise, and in some industries became obsessed with the ideas promulgated in the Law on State Enterprises which would allow the enterprise to be self-financing and to keep hard currency profits. As I will show more clearly in Chapter 4, this was especially true of the coal industry, which saw self-financing and hard currency profits as a panacea for their problems. Therefore, at the enterprise level, some directors and trade union leaders made common cause in their quest for distancing themselves from the government and becoming autonomous. In some cases, this led to new trade union formation because of the profits which they foresaw would make up for the loss of social funds and other state resources, thus lowering the costs of exiting the OTU. Forming a new trade union which could not attract members was pointless. But with currency profits, the new trade unions could offer benefits similar to those of the OTU, thus stealing away members.

The leaders of the official unions also recognized the reality, and the power, of strikes. In April 1989, a new draft law on trade unions, written by the official unions, was published allowing the "right to stop work" under certain conditions – but this right was granted to

the *trade union* not individual workers. However, the official union stressed that strikes should not become a "normal phenomenon" as strikes were too disruptive of production. Given that there were over 11 strikes in the coal industry alone from January to March of 1989, this admission was a modest acceptance of reality more than a true policy change.

Despite some changes in the official union, during the July strikes in the coal regions, Shalaev accompanied Politburo member Nikolai Sliunkov and First Deputy Prime Minister Voronin as members of the high-level commission sent by the state to negotiate an end to the strike. In a *Pravda* interview, Shalaev denied being *part* of a governmental commission, announcing that he "presented the miners' demands from the other side of the table." In a speech to striking miners in Kemerova, Shalaev expressed AUCCTU support of the miners' demands although virtually no union leaders participated in the strike. The official unions were jeered by rank-and-file workers and seen by them as part of the problem not part of the solution.

At the Sixth AUCCTU Plenum in September 1989, the official unions declared their "independence" from political organizations and state, economic, and administrative bodies. They adopted a new program which stressed defense of workers' rights and interests and voted to make more use of their right to legislative initiative. Membership in the official union in 1989 was 141.1 million.⁴⁰ Membership was not significantly declining but unrest was increasing. The AUCCTU still lurched back and forth between reform impulses and the "old way." And on March 30, 1990, the official coal miners' union, a branch of the former AUCCTU, adopted new statutes, elected a new leadership, and proclaimed itself independent at its fifteenth Congress in an attempt to regain its position which had been totally undermined by the July 1989 strikes.

In April 1990, Gennadi Yanaev replaced Stepan Shalaev as the leader of the AUCCTU. This turnover occurred in the "old way." Yanaev had been Shalaev's deputy and when Shalaev announced his retirement at the union meeting, four candidates were proposed to replace him, including Yanaev. Three candidates voluntarily withdrew, conceding the election to Yanaev without a vote. Upon his election, Yanaev delivered an hour-long report on his plans for the future. This was the typical "staged" democracy common under

Brezhnev.⁴¹ This frustrated many mid- and low-level trade union leaders, who took it as a sign that reform was not possible.

In October 1990, at the Nineteenth Congress of Trade Unions, the AUCCTU liquidated itself and adopted a new name: the General Confederation of Trade Unions (GCTU). In addition, a Russian branch was created called the Federation of Independent Trade Unions of Russia (*FNPR*). (As in the cases of the Communist Party and the KGB, Russia had not had a trade union of its own during most of Soviet rule. The Soviet institutions had represented Russian interests.) The name changes and the new Russian union were insufficient to overcome distrust of the official unions as agents of management and the state. The main reason that the official unions retained membership was due to their continuing control over the distribution of state social benefits, including social insurance funds, housing, day care, and other necessities of life. This control of government funds greatly increased the risk of both trade union leaders and members who wanted to leave the official union. A survey taken in 1991 by the Academy of the National Economy found a very low level of trust in the official trade unions. Only 7 percent rated trust in the unions as very high or fairly high, the lowest of all institutions in the poll.⁴² Trust in the official union was very low, but their control of social insurance made leaving the union a costly gamble, as discussed in Chapter 2.

The beginnings of “independent trade unions”

Beginning in 1987, the official unions had competition. In March 1987, a workers' club called “Workers” (*Rabochii*) was founded in Sverdlovsk. In February 1988, the Committee of Democratic Trade Unions was formed in Leningrad and the first Congress of the Trade Union of Independent Journalists was held in Riga, Latvia. The Association of Socialist Trade Unions of the USSR (*SOTSPROF*) was founded on April 1, 1989 by intellectuals and cooperative workers and held its first conference in February 1990 in Moscow. They had representatives from 37 regional organizations and 34 cities at this conference. They declared that workers in the Soviet Union were without “rights and defences” and needed independent trade unions and a new labor code to protect them. A resolution condemning the AUCCTU, however, did not receive majority support but *SOTSPROF*'s

official statements called the AUCCTU “totally unrepresentative” and claimed to support a trade union movement on a “broad, multi-alternative base.” They favored grass-roots initiative and individual rights. *SOTSPROF* established a “social fund” for legal defense, a strike fund, and rendered aid to pensioners, invalids, and those unjustly fired. In order to finance this fund and other projects, *SOTSPROF* charged dues that were 3 percent of workers’ incomes (three times higher than the dues of the official union, and they had to be paid out of a worker’s pay packet). Estimates in November 1991 gave membership at between 20,000 and 30,000. *SOTSPROF* was supported by the Interregional Group of Deputies in the CPD, the Workers’ Union of Lithuania, Solidarity, and other groups. Leaders included Sergei Khramov, Valerii Korolev, Nikolai Soloviev, and Lev Volovik.

However, 1989 was the year in which the labor movement really got moving. The coal miners began to organize, the air traffic controllers established a union, and many independent trade unions and workers’ clubs were formed. Many were small and had few members, some were highly militant and others did little. The independent union movement was in a nascent stage, few unions were institutionalized. At this time, the government showed no signs of weakening OTU control of social funds and other state resources. Automatic membership and dues withholding were still firmly entrenched, making it a very difficult and time-consuming process to quit the OTU, and it was impossible to get one’s dues refunded. So joining a new trade union meant double payment of dues for fewer benefits. Without the prospect of dues-paying members, it is difficult to conceive of union leaders choosing to exit.

Coal miners were the most mobilized and radical of Soviet workers. Beginning in 1989, coal miners lead a series of strikes which significantly contributed to the downfall of the Soviet government.⁴³ The other category of highly mobilized workers was the transport industry. Airline pilots, air traffic controllers, flight personnel, bus drivers, and others all formed active and politicized trade unions at various points during the Gorbachev era.⁴⁴ Some examples are the Federation of Trade Unions of Air Traffic Controllers (*FPAD*) which was founded at the end of 1989 and had a membership of about 4000 people (although small, this group has been very active and militant) and the Association of Flight Personnel (*PALS*) which was founded in February 1989.⁴⁵ Chapter 4 will analyze two case studies from the

period 1989–90 – coal mining and railroads – in detail in order to test the model elaborated in Chapter 2 and determine the rationales trade union leaders used in deciding to stay with the OTU or exit.

Conclusion

At the end of the Gorbachev era, the official unions still tightly controlled the distribution of many social benefits and still received dues withheld from workers' pay by the state. They had a strong and functioning bureaucracy and open access to leaders, legislators, and administrators as a quasi-governmental agency. These factors contributed to the continued existence of official unions – the risks to leaders and workers in leaving the official union were too great. Despite these strengths and official union efforts to begin defending workers against the state, support for the official unions was declining rapidly among the rank and file. The official unions remained organized by branch of industry, mixing white- and blue-collar workers in the same union. The independent unions had strong support among their members, few in number, but lacked institutionalization and access to policy makers. They tended to be organized by function: miners in one union and doctors in another. Dues had to be paid by the worker from take-home pay, often in addition to the automatic one percent paid to the official unions, and the benefits received from the independent unions could not compare to the social benefits offered by the official unions. The situation remained one of “dual power” through the end of Gorbachev's rule, leaving the FTUs (free trade union) at a distinct disadvantage.

The old official unions were trying desperately to find a new role and adapt to the changing environment – be it one of supporting the old system (Belarus') or of trying to bring a new system into being while watching out for the workers' interests (Russia and Ukraine.) Official unions broke up into republic-level units without the control of a central organ and, as such, perhaps they had more legitimacy than they did as members of the AUCCTU. The new unions, however, were truly independent and were in competition with the old unions – at least in some industries.

Regional and republic-level unions, often with nationalist agendas, paved the way for others. In January 1989, Avgust Zitmanis, chair of the Latvian Republican Council of Trade Unions (the republic branch

which belonged to the AUCCTU), stated that the "chief and only vitally important sphere of activity for trade unions must henceforth be defense of the workers' interests." He also called for a trade union veto on legislation which injured workers. In May 1989, the Lithuanian trade unions also made a radical decision. Lengimas Maksimovas, chair of the Lithuanian Republican Council of Trade Unions, announced that the Lithuanian trade unions would henceforth consider AUCCTU decrees and resolutions as recommendations which would be binding only after they were approved by the Lithuanian unions. The republics were telling the center that they were dissatisfied with the official unions and were now doing something about it.⁴⁶ This had the impact of emboldening workers and leaders alike who were looking for alternatives to the OTUs.

The old unions had definite advantages in the competition with the new independent unions. First, the official unions still controlled the budgets and social benefits like housing, daycare, and vacation spots. Second, the official unions actively fought the price increases which hurt the majority of workers and advocated wage increases which helped workers. These were popular positions and gained them some adherents. Third, the official unions were in place and operating. Many of the new unions were scrambling for office space, resources, and members which the old unions already had (these costs of starting a new union were especially important given the economic conditions of the Soviet Union at that time). And fourth, the official unions had media and government outlets that the new unions were only just trying to build. For example, in Hungary, the official union *MSZOSZ* under Sandor Nagy has had significant success in co-opting the issues of interest to workers and steeling the thunder of the new independent unions. Whether the former Soviet unions can do the same thing remains to be seen.

The new unions tried to become something other than strike committees. However, beyond the miners and transport workers, few workers seem interested in taking up the cause. The strike committees favored certain economic reforms and opposed others. They wanted decentralization of the economy, economic autonomy, and the ability to sell their goods for hard currency but they opposed price increases, tying wages to productivity, and bankruptcy for enterprises.

As for democratization, labor unions were definitely a positive sign of a rising civil society. Both the official unions and the new

independent unions were vying actively for support and to represent the awakening working class. A civil society is vital for a democracy. At the fall of the Soviet Union, labor was not very institutionalized and seemed more interested in pursuing short-term economic gain than in pursuing democracy. However, labor must be institutionalized in order to enable it to capitalize on its influence. This institutionalization was not yet evident.

This chapter has spelled out the legacy of the Soviet system regarding trade unions. In the next chapter, I will analyze two case studies of unions: the coal miners, some of whom chose to form a radical independent union, and the equally active railroad workers who did not choose to leave the official union. I will examine how they have coped with the Soviet legacy and the costs and benefits associated with the choices these union leaders made.

4

Institutional Change under Gorbachev: Coal Miners' and Railroad Workers' Unions

Systemic change, begun by Gorbachev, changed the constraints under which trade union leaders made decisions on the goals and organization of their institution. During the Soviet period, there were many constraints on the behavior of trade union leaders, including a guaranteed monopoly of representative institutions. As *glasnost'* and *perestroika* took hold and as their unintended consequences became obvious, trade union leaders had more options and more decision-making power, including, eventually, the option to choose to leave the official trade union.

As explained in Chapter 3, the decision to stay or leave the official unions not only occurred at the branch or national level, but, as the Soviet Union crumbled, the regional, *oblast* and local levels as well – even the enterprise level. The growing uncertainty over control of resources (state and union), the fragmentation of political power at the national level, and the fragmentation of authority within the trade unions caused union leaders to look for ways to negotiate a place for themselves and to enhance their own security. Political and economic reform altered the environment in which union leaders made choices and expanded their options. In some cases, these changes led union leaders to choose to exit the official union in order to pursue their self-interest. In other cases, leaders chose to remain with the official union structures.

In the previous chapter, I laid out the ways in which the environmental changes of Gorbachev's reforms, and the historical context,

affected the decision-making calculus of union leaders. In this chapter, I will use case studies of coal mining and railroads to show how my model applies to the Soviet era and to indicate which constraints and incentives were most important to trade union leaders, given the parameters in which they operated in 1989–90.

These cases were chosen because coal mining and railroads were both integrally important to the Soviet economy.¹ Coal was vital to the heavy industrial and military industrial complexes, in particular for metallurgical works and machine building. The vast majority of industrial goods, finished goods, and passengers were transported by rail. By analyzing institutional change in these two industries, we will be able to determine which variables work as explanatory agents for the difference in outcome: coal mining established new unions and railroad workers did not.² Specifically I will look at the 1989–90 time period and show how the incentives and constraints of the changing political and economic system affected institutional formation and change in these industries.

State policy: control of state funds and resources

Under the Soviet system, social insurance funds were under the control of the AUCCTU, the official Soviet trade union. As posited in the model elaborated in Chapter 2, the OTU control of social insurance was a primary factor in the decision-making calculus of trade union leaders. The social insurance funds, along with other state resources controlled by the trade unions, represent the potential cost of leaving the official union structure – losing insurance, sick pay, pension funds, day care options, housing privileges, vacation passes, access to scarce goods, coverage by the collective agreement on wages, to name but a few. If a trade union leader decided to leave the OTU, he would lose these benefits and perquisites, as would any members who chose to follow him. This made the cost of leaving the official union very high. In order to determine how high the cost was, let us examine the nature of state policy toward the trade unions and the nature of the state resources controlled by the OTU.

In 1975, the social insurance budget in the Soviet Union was 26 billion rubles.³ By 1988, the social fund had reached 175.4 billion rubles.⁴ And by 1989, it was 190.2 billion rubles.⁵ Until December 1975, cash benefits (sick pay, temporary disability, and maternity

leaves – known collectively as the Social Insurance Fund – SIF) depended on three conditions: on whether the sickness or injury was work-related or caused, duration of employment, and union membership.⁶ The AUCCTU decided if one met these qualifications. After that date, the laws on social insurance imposed a fourth condition, the number of dependent children in the household. Again, the OTU determined eligibility.⁷ Shortly thereafter most requirements were loosened, leaving the primary determining factor in receiving cash benefits to be union membership. As the political system loosened along with the state-guaranteed monopoly on representation, this control of cash benefits became a key “selective benefit” which strongly encouraged trade union leaders and members to remain under the umbrella of the OTU.

The social funds were financed by enterprise contributions (as a percentage of payroll, averaging 6 to 7 percent depending on branch of industry) and the state budget. The money was handed over to the AUCCTU by the government which then distributed it to its constituent branch unions for distribution to workers. Often the ultimate responsibility for disbursement was with the enterprise-level union committee. This expanded the powers of the enterprise trade union leaders. This expansion of enterprise-level power was exacerbated by the diminution of central political authority in the late 1980s, which led to an accumulation of power at lower and lower levels of the hierarchy.⁸ The OTU began to devolve power *de facto* to the enterprise-level unions. This became even more apparent with the payment of dues.

Dues were withheld by local governments and disbursed to the enterprise trade unions. In the early 1980s, the majority of dues were forwarded to the national umbrella organization, the AUCCTU. By 1990, dues were primarily retained at the enterprise or regional level, leaving as little as 1 to 3 percent of dues for the central bodies.⁹ As authority in the system collapsed, lower levels refused to pass dues payments to the central organizations, arguing that they were more effectively spent at the lower levels.¹⁰

In addition to control of social insurance monies, the OTUs controlled a number of other state resources which they could distribute to their members. In 1975, the unions accommodated an average of 8.35 million workers per year in vacation homes, tourist hotels, or sanatoria.¹¹ The AUCCTU managed over 1500 rest homes, 700 tourist

hotels, and 2000 other vacation sites. Pioneer camps for children, run by the trade union, accommodated 9.8 million children in 1973.¹² These numbers continued to grow but at a reduced rate due to reduced budgets in the early 1980s. These perquisites were controlled by trade union leaders and were important levers in maintaining the OTU monopoly on representation of workers as the state guarantees on that monopoly eroded.

Not only did the OTU have the ability to offer these services as “selective benefits” to their members, but they also earned a profit from the fees charged to utilize them. The “fees” charged were often modest on an individual basis, in fact some workers paid nothing, but due to the number of people who used these services, the profit added up quickly.¹³ The income to AUCCTU for “paid services”, such as hotels, sanatoria, and sports complexes, was 520.8 million rubles in 1988.¹⁴ Of that amount, 44.6 million rubles was paid for sporting facilities, 141.9 million for film shows, and 334.3 million rubles from “economic organizations” (profit).¹⁵ The AUCCTU controlled 370,000 beds in sanatoria and 460,000 hotel rooms.¹⁶ Their total income for the year was 4.1 billion rubles from dues and “fees”. Access to these services, as well as their cost, depended on the decision of trade union leaders just as access to social insurance funds depended on trade union leaders.

In March 1989, an AUCCTU decision allowed enterprise-level union committees to use state-allocated social funds to “provide health and other facilities”.¹⁷ This started a flurry of business activity among trade union leaders. No mention was made of how profits from such ventures would be distributed and therefore distribution varied greatly, from profits going directly into trade union coffers to individuals lining their own pockets; again primarily at the enterprise level. This further tilted the balance of power away from the national union federation and toward enterprise trade unions. This shifting balance offered enterprise-level trade union leaders mixed incentives. If the leader could somehow personalize or “privatize” the business and its profits, then this situation was an incentive to leave the OTU. If the OTU could retain control of the profits or business, then the incentive to trade union leaders was to stay with the OTU.

Not all branches of industry, nor all enterprises, had the same amount or quality of amenities. So the “power” of trade unions to offer selective benefits varied. In general, in heavy industry, indus-

tries which the government deemed priorities, and industries in large well-established cities had more and better benefits to offer workers.¹⁸ Hence, the leverage of existing trade union elites also varied. While control of social insurance and the amounts of cash benefits was regulated by law and evenly distributed to workers (if the trade union leadership recognized their claims), other state resources controlled by trade unions varied widely and therefore not all trade unions had the same benefits to offer.

To use a concrete example of the disparity in various non-wage benefits, in the Soviet Union as a whole, housing was extremely problematic. However, in the coal regions, housing conditions were worse than in much of the rest of the country. Housing was substandard and not available to all workers. Waiting lists abounded – as many as one-third of all miners were on a waiting list for housing – and many miners lived in communal dormitories. Hot water was a luxury in most apartments and many lived without indoor plumbing.¹⁹ Housing lists were controlled by the official trade union; without their approval, housing became even more difficult to come by. One-fourth of all Kuzbass miners lived in communal barracks and access to food and consumer goods had been falling in the region.²⁰ Of 73 administrative units in the Russian Soviet Federated Socialist Republic (RSFSR), Kemerova *oblast'* (virtually the same as the Kuzbass coal basin) ranked 42nd in per capita housing space, 66th in schools and 70th in terms of medical supplies and health care.²¹ The situation in Vorkuta was worse. Schools, hospitals, and other “comforts” were rare or poorly endowed in most mining communities.

The coal-mining regions were ecological disasters from strip mining, pit diggings and polluted air from fumes given off by nearby steel plants and industries. Nearby chemical factories often caused chemical wastes or toxic substances to seep into the deep pit mines, causing serious health damage to workers. The average miner could expect to live to 47 years and the retirement age for miners was 55. Average life expectancies in other professions was 65. Shortages were rampant. Soap, sugar, meat, and fruit were rationed in 1989. Televisions, clothes, and refrigerators were extremely scarce.²² Living conditions in Vorkuta were very poor, worse even than other mining regions. Food and alcohol were rationed due to shortages. No roads led into the mines; their isolation stemmed from their history as part of the *gulag* system.²³ Most miners considered quality of life to be very low.

The mines, especially the deep pit mines, were unsafe and modern equipment was scarce. There were inadequate supplies of oxygen and warm clothing for underground mine workers. Methane gas explosions and cave-ins were common; accidents occurred daily. An average of 800 Soviet miners died each year; in the USA, only 55 miners died in 1988.²⁴ According to *Goskomtrud*, (the state committee on Labour), the coal industry had more workers employed under “unfavorable conditions” than any other branch of industry: 688,400 or 73 percent of coal workers.²⁵

Railroad workers had better supplies of housing, in general, because they tended to live in larger metropolitan areas. Only 15 percent of railroad workers lacked housing and in 1990 over 29,000 additional square meters of housing was released.²⁶ The figures were less promising in peripheral areas. For example, on the Northern, Far Eastern and West Siberian lines, close to 20 percent of railroad workers lacked adequate housing and on the Baikal-Amur Mainline (BAM), the figure was 28 percent.²⁷ The mobility of many railroad jobs also meant that they had better access to scarce goods because they could travel easily during work and also for free on their days off. This was especially true of those working out of the large urban centers of Moscow, Leningrad, Sverdlovsk, and Kiev. Certain railroad jobs, such as track laying and outdoor maintenance, were extremely difficult and hence difficult to fill. These workers tended to be less satisfied than other railroad employees. Railroad lines in rural areas often operated their own farms and stores for employees. For example, in Krasnoyarsk, railroad farms supplied produce to workers at state prices.

The situation confronting trade union leaders in the area of state funds and resources was, therefore, mixed. The single strongest incentive to stay with the OTU was control of the social insurance funds. This not only was a strong incentive in terms of the power and options a trade union leader with control of these benefits had, but also a very strong incentive for members to stay with the OTU. If a leader could not attract members to a new trade union, there was no point in attempting to form one. Another incentive to stay with the union was the profit from trade union-managed resources like sanatoria and hotels. There were some incentives, however, to leave the structure of the AUCCTU. The general dissolution of authority in the broader political system, as well as in the trade unions, greatly

reduced the possible costs of leaving the official union. The passage of dues control from national level to local level also served to embolden enterprise-level trade union leaders to take risks and consider leaving the OTU. In addition, since some non-wage benefits were unevenly distributed, the trade union leaders in those industries that did not benefit had less to lose by exiting the OTU than those leaders whose industries received great benefits.²⁸ In other words, some trade unions offered fewer selective benefits than others. Those industries, like railroads, with better provision of benefits were less likely to have trade union leaders risk leaving the OTU because they had more to lose; whereas, in coal mining, the trade union leaders could see something to gain in leaving the OTU, for example, better housing, more profits, and so on.

Economic and industrial characteristics

As economic and political devolution and the unintended erosion of central political power continued, trade union leaders began to have the option of leaving the OTU. Baltic trade unions had done it in 1988. Small groups of white-collar workers and “workers’ clubs” had formed from 1987 without repression by the authorities (see Table 4.1). However, leaving the official union still meant abandoning the benefits mentioned above which were offered solely through membership in the OTU. Those benefits and the social insurance funds operated as a strong incentive to remain within the OTU.

According to the model elaborated in Chapter 2, a number of factors could change the cost – benefit analysis of leaders beyond control of state resources. In effect, certain factors mitigate or outweigh the selective benefits of social insurance and non-wage benefits. One such factor is labor power. Labor power has three components: wage and skill levels, geographic concentration, and government priority. Labor power enabled a trade union leader to take risks and gave him leverage with the state to demand their own selective benefits separate from those offered by the OTUs. Second, the lure of hard currency profits which could yield long-term economic gain (due to the potential success of market-based economic reform) again encouraging risk-taking behavior by trade union leaders. The third factor is union organization. If a union was “reformable,” leaders were likely to conclude that the benefits of staying were

Table 4.1 “Free” trade unions in Russia

Name	Date founded	Place and membership*
<i>SOTSPROF</i> <i>Ob'edinenie sotsialisticheskikh profsoiuzov SSSR</i> (Union of Socialist Trade Unions)	1989	Moscow: 20,000
<i>Edinenie</i> (Unity)	1990	Leningrad: 40,000
<i>NPG</i> <i>Nezavisimii profsoiuz gornikov</i> (Independent Miners Trade Union)	1990	Moscow: 17,000
<i>ALS</i> <i>Assotsiatsia letnovo sostava</i> (Association of Flight Personnel)	1990	Moscow: 10,000
<i>FPAD</i> <i>Federatsia profsoiuzov aviadispatcherov</i> (Federation of Air Traffic Controllers Union)	1990	Moscow: 60,000
<i>Nezavisimii profsoiuzov zhurnalistov</i> (Independent Trade Union of Journalists)	1990	Moscow: n.a.
<i>Spravedlivost'</i> (Justice)	1988	Leningrad: 1200
<i>Sovet rabochikh komitetov Kuzbassa</i> (Council of Kuzbass Workers Committees)	1989	Novokuznetsk: 10,000
<i>Soiuz trudiashchikhsia Kuzbassa</i> (Union of Laborers of Kuzbass)	1989	Kemerova: 7000
<i>Konfederatsia svobodnikh profsoiuzov Rossii</i> (Confederation of Free Trade Unions of Russia)	1990	Podol'sk: 1100
<i>Permskii mezhproufessional'nii soiuz rabochikh</i> (Perm Interprofessional Union of Workers)	1988	Perm': 1100
<i>Sovet trudovikh kollektivov strany</i> (Council of Workers Collectives)	1990	Moscow: na
<i>Konfederatsia truda</i> (Confederation of Labor)	1990	Moscow: umbrella org.

Source: *Profsoiuzy i ekonomika*, 4 (1991) pp. 95–7.

* The membership numbers are estimates by the AUCCTU which publishes *Profsoiuzy i ekonomika*. The estimates of the alternative unions are considerably higher.

higher, whereas if the union was seen as closed and “unreformable,” the benefits of staying would be much lower.²⁹

Labor power

Labor power is the value of the workforce and the importance of the industry in the economy as a whole. A union which has “high” labor power is one in which workers cannot easily be replaced due to special skills or training, where workers are geographically highly concentrated, or have a special place in the economy of the country. More highly skilled workers have relative job security and thus leverage vis-à-vis state and employer. Geographic concentration lowers the costs of organizing new unions. Since entire towns are based on, and work for, the local enterprise, workers are also hard to replace, have job security, and feel able to take risks such as organizing new unions or going on strike. And government priority industries also have more leverage in making demands than low priority industries. Workers are harder to replace if they are highly skilled, located in “company towns,” and important to the overall economy. Hence their leaders are more likely to take the risk of forming a new union.

(a) Wages

Although most coal miners were well paid by Soviet standards, their living and working conditions were abysmal. The average Soviet worker in 1989 earned 220 rubles per month while miners averaged 320.³⁰ The Kuzbass miners were paid an average wage of 500–600 rubles per month, which included a 25 percent Siberian wage bonus and productivity bonuses. The pay in the Donbass was lower than in the Kuzbass, ranging from 220 to 250 rubles per month.³¹ Wages in Vorkuta were high (800–1000 rubles per month) due to the severe climate, regional coefficient, and the need to attract workers.

Railroad workers in 1988 earned an average monthly wage of 257.8 rubles compared with 219.8 rubles economy-wide.³² However, railroad jobs were difficult, especially track maintenance and repair, and salaries ranged widely around that average.³³ However, conductors and porters, while paid less in wages, had opportunities to make money “*na levo*” (literally “on the left” – meaning illegally or on the side) by selling sheets, refreshments, scarce goods, alcohol, and by earning tips, especially on the routes which foreigners traveled.³⁴ In

general, railroad workers were more closely tied to their industry and more satisfied, thus less likely to form new unions.

Wages alone do not give a complete picture of the Soviet worker. Since non-wage benefits were so important – often more so than cash money – to Soviet workers, one must also consider their material well-being and access to scarce goods, services, and other measures of prosperity.³⁵

With the advent of *glasnost'*, miners and railroad workers began to have the ability to compare their living standards with those of other professions and other regions of the country. Despite miners' relatively high pay, they perceived their lot as much worse than other Soviet workers due to safety problems and their lower level of material well-being. Higher pay did not compensate for the harsh living conditions of the miners, especially in light of the greater shortages of consumer goods and food than in other areas of the Soviet Union.³⁶ Railroad workers were more mixed in their assessment of their situation. Many railroad workers, especially those in the peripheral regions, agreed with the miners that their living standards were poor. Others were doing rather well, though they, too, saw an erosion of their living standards under Gorbachev. Railroad workers also had a low labor mobility. They tended to stay with their jobs on the railroad.³⁷ Hence, on non-wage criteria as well, railroad workers were more satisfied and coal miners were less satisfied with their respective situations. Therefore, trade union leaders in coal should have been more likely to take risks and try to form new unions than railroad trade union leaders.

(b) *Geographic structure of the economy*

As specified in the model found in Chapter 2, the size and concentration of the workforce of an industry is a component of labor power. The more concentrated the workforce, the lower the costs of forming a new union and the higher the likelihood of doing so. Although coal and railroads had approximately the same size workforces, they differed significantly on the concentration of their labor force.

The Soviet coal industry employed 2.5 million people. The industry was concentrated primarily in three major regions: the Kuznetsk Basin or Kuzbass in western Siberia, the Donetsk Basin or Donbass in eastern Ukraine, and the Pechora Basin or Vorkuta in the Komi ASSR in the Arctic North.³⁸ The Donbass had 300,000 miners and

produced 36 percent of Soviet coal.³⁹ In the Donbass, the mines were older and primarily deep pit mines. The Donbass was the largest producer of coal though it declined from 225 million tons in 1976 to 200 million tons in 1988. The quality of the coal also declined. Kuzbass coal was generally cleaner (less sulfur), higher quality, and closer to the surface. Production in the Kuzbass was expected to surpass that of Donbass by the year 2000. The Kuzbass employed 150,000 miners and produced approximately 22 to 30 percent of Soviet coal.⁴⁰ The region had rich and easily accessible coal deposits which primarily used open cast mining. Poor management and chronic underinvestment in infrastructure and technology had yielded declining outputs. Transportation of the coal was also a problem. Not enough railcars nor track existed to transport the coal to European Russia in an efficient manner.⁴¹ Vorkuta (located North of the Arctic Circle in the Komi Autonomous Republic) employed 23,000 miners and produced 6 to 10 percent of Soviet coal.

Therefore, coal mining in the RSFSR was highly concentrated in the West Siberian⁴² region and the Northern region⁴³ with some mining in the Urals and the Moscow basin. In West Siberia, principal mining centers were in Mezhdurechensk, Anzero-Sudhensk, Berezhovskiy, Kemerova, Leninsk-Kuznetsky, Novokuznetsk, Kiselevsk, Prokop'yevsk, Chernogorsk, and Nazarova. In the Northern region, Vorkuta/the Pechora basin had major mining operations. In the Urals, Chelyabinsk, Karpinsk, Kopeysk, and the Moscow basin (especially near Tula) had deposits of brown coal. Rostov and Shakhty – the Russian Donbass – also had significant coal deposits. The West Siberian region produced 35 percent of Russian coal in 1991.⁴⁴ In the Ukrainian SSR, the Donetsk basin and Krivoy-Rog had the largest concentration of coal deposits and metallurgical works. Coal mines were in Donetsk, Makeyevka, Gorlovka, Lugansk, Kadiyevka, Shaktersk, Thorez, Krasnoarmeysk, Debropol'ye, and Kommunarisk. Deposits of brown coal were outside Zhitomir in Korostyshev and near Cherkassy in Vatutino.

Thus, the coal industry was highly concentrated in very isolated geographic areas. There was little mobility among coal mines and few alternative jobs available. Miners tended to make a career in one area. Coupled with the camaraderie of dangerous, underground work, the stability of the workforce and its concentrated nature meant that people knew each other well and had to rely on one another in the

performance of their jobs.⁴⁵ Among underground workers in particular, the long journey to the coal face offered opportunities to discuss problems, plan the future, and propose solutions. In many countries, coal miners have been extremely radical and at the forefront of union formation, out of concerns for pay, safety, and health. The concentration of workers also led to a greater likelihood of collective action and union formation because proximity and trust among workers lowers the costs of such activities.

In contrast, railroads were less concentrated and, generally, highly mobile. Soviet railroads were organized on the basis of 32 “regional lines.” Three were located in the Ukrainian SSR⁴⁶ and 22 in the RSFSR.⁴⁷ The Moscow and October lines were the only two with heavy passenger traffic. Freight congestion was a problem in West Siberia, South Ural, East Siberia, TransBaikal, and Kuibyshev lines. Approximately 50 percent of the network was above capacity and an additional 14 percent was at full capacity.⁴⁸

There were 2.4 million workers employed by the railroads in 1988.⁴⁹ These employees were disbursed among different lines as well as among radically different types of work. The problems and desires of a conductor were different than those of a driver or signal mechanic. There were few opportunities for railroad workers to get together and discuss their “common problems.” Some railroad workers were highly paid, others very poorly paid. Some were manual laborers, others were indoor ticket sellers. The camaraderie was absent, as was the danger factor which was important to the coal miners. Therefore, the likelihood of union formation was far lower due to increased costs of organization and communication, as well as divergent interests.

(c) Importance of industry and strategic sector

The idea of government priority or strategic sector is also important in determining the chances of new union formation. Certain industries were a high priority for the Soviet state and so closures, lock-outs, and labor unrest would be highly expensive and to be avoided. The costs of labor unrest and new union formation would, therefore, be substantially lower than in other industries in which punishment was more likely than concessions. In particular, during the economic crisis of the late 1980s, industries which earned hard currency were considered highly important, as were the traditional Soviet priorities

of heavy industry over light industry and military over civilian production. In addition, some industries were necessary to the functioning of other industries and thus were high priorities due to their ramifications to other economic sectors, for example the coal industry was essential to the operation of the metallurgical sector because without coal, the furnaces cannot be operated. And without the railroads, coal could not be delivered to metallurgical enterprises.

For coal mining and railroads, it is difficult to gauge which was more important. As mentioned above, coal was integral to the metallurgical industry but railroads moved the vast majority of Soviet freight and so were integral to many industries. So in addition to these industrial characteristics to determine government priority, let us analyze the nature and amount of investment as well as state pronouncements on priorities.

Coal provided 19.7 percent of the country's energy⁵⁰ and earned hard currency earnings through export. Coal was essential to home heating, the metallurgical industry, and provided the vast majority of employment opportunities in certain parts of the Soviet Union. Railroads carried 80 percent of Soviet freight and the majority of intercity travelers. Railroads also earned some hard currency from the sale of tickets to foreigners and from the Soviet cut of tickets sold abroad for use in the Soviet Union.

There were numerous government pronouncements on the importance of coal and rail transport to the Soviet system, and some examples follow. According to USSR *Gosplan* department chief, V. Taradaiko, "the coal industry occupies an important place, not only in the fuel and power complex, but also in the national economy as a whole. Coal is fuel for power stations and TETs, coke, without which ferrous metallurgy cannot operate, a raw material for other industrial sectors and a domestic fuel for the populace . . . (it is) one of the base sectors of the national economy."⁵¹ Mikhail Gorbachev expressed extreme concern over the 1989 strikes spilling over into transport, particularly railroads, and paralyzing the entire economy – which was definitely a statement on the importance of railroads to the Soviet state.⁵² In addition, the 1989 law on labor disputes made railroad strikes illegal, another statement of how important rail transport was to the economy.

Investment is another indicator of governmental priority. Investment in the coal industry varied by region. The 12th five-year plan

(FYP) was to increase overall investment in the coal industry by a factor of 2.5 over the 11th FYP.⁵³ However, most of this investment went to the Kuzbass and Vorkuta regions. The government made few capital improvements in the Donbass during the late Soviet years due to the age of the Donbass coal fields (two-fifths of the mines had been in operation since before 1950), and the perception that the money would be better spent on the newer mines in the Kuzbass which received significant investment. In 1988, the Ukrainian Academy of Sciences announced that the Donbass mines were economically unfeasible in the long run, which further limited capital investment.⁵⁴ Therefore, within the coal-mining industry, there were variations in government priority. Newer and more productive mines were a higher government priority than older, more expensive and less productive mines.

Fixed capital investment in railroads in the 12th FYP was 26.8 billion rubles (up from 23.1 billion in the 11th FYP). However, when one looks at volume of freight traffic and inflation, in real terms, the railroad transport sector actually received less capital investment in the 12th FYP.⁵⁵ Over 49 percent of Soviet freight traffic was the movement of coal, oil, and gas and the average haul was longer in the mid-1980s than in previous decades.⁵⁶ These longer hauls and lower investments caused real problems in the railroad industry. This was especially true on certain lines which carried the most freight traffic, in particular the Urals and Kuzbass lines.

Soviet rail transport was also hindered by a number of factors correlated with lower levels of government investment (and some of which, of course, were simply due to typical Soviet economic dislocations). For example, poor track laying limited the speeds at which trains could travel hence making it more difficult to improve productivity. Poor traffic control, particularly on lines with only one set of tracks, resulted in many accidents. And there were inadequate supplies of rolling stock. So much of the investment received by the railroads was not spent on improvements but on crisis management.⁵⁷

An additional factor in the case of railroads was the legacy of their behavior and treatment in the early Soviet era. The revolutionary heritage of railway workers in the Soviet Union, where the *Vikzhel*, or railway union, jeopardized the survival of the Bolshevik regime in 1918. This heritage would lead one to believe that the railroad unions

would be potentially a radical force in labor relations. However, they were not. In 1918, the railways were among the most technologically advanced sectors of the economy and had been a privileged sector and a high priority under the Tsars. The Bolsheviks had relied on former Tsarist specialists to run the system. These specialists were politically unreliable and were eventually purged but not before serious unrest threatened the survival of the new regime.⁵⁸ These events forced the railroads to become a politically reliable industry under the leadership of L. M. Kaganovich. The railroads recovered and began to expand quickly throughout the 1920s. They were extensively purged of “politically unreliable elements” during the 1930s. The railroads retained a privileged status and large share of state investment until the late 1970s when the Soviet economy began to slow down and the priority of the railroads diminished.

Additional evidence of the declining significance of Soviet railroads in an era of shrinking budgets was the Baikal-Amur Mainline or BAM. The BAM was considered the project of the century under Brezhnev. The rails were connected in 1984 along its 2000 mile route. Planned stations, towns, signals, and other facilities were not built during the Soviet era. The longest tunnel had not been completed at the beginning of the 12th five-year plan (1986–1990). Gorbachev was relatively silent on the issue of BAM and did not include it in his list of investment priorities; the decision has been that the costs outweigh potential benefits.⁵⁹

The fate of BAM, coupled with investment information, lead to the conclusion that railroads were not a high priority in the Soviet system under Gorbachev. Therefore they were less likely than coal miners (a strong Soviet priority) to take a risk and form free trade unions.

Potential profitability

Profitability was also a factor in the decision of trade union leaders to stay with the official union or leave. As noted in the model (Chapter 2), union leaders with either objective or subjective reasons to believe their industry or enterprise could be profitable were more likely to form new unions than those in not potentially profitable ventures. Profit could outweigh other costs of leaving the official union by giving the union leaders resources with which they could lure away members by providing similar benefits (or at least different ones) to

what the OTU provided using state funds. Ruble profits were rapidly eroded by inflation and so hard currency profits were considered optimal.

Coal and railroads had different outlooks for profit. Coal was generally seen as more potentially profitable than railroads as it already had foreign markets and currency earnings. Railroads, due to different gauges, rails, and widths of rolling stock, had limited international uses and so had lower potential profitability.

The Soviet Union set an artificially low price for coal and the prices have been beneath the cost of production since the late 1970s; therefore the coal industry received huge subsidies from the federal budget.⁶⁰ In 1990, with the transfer of responsibilities for extractive industries to the republics, these subsidies came out of republic budgets.⁶¹ In 1990 the price of Donbass coal was about 20 rubles per ton with production costs of 45 rubles or more. The expected subsidy, for that region, was 13.5 billion rubles.⁶²

According to coal minister Yevgenii Shchadov, the industry as a whole received 23 billion rubles a year in subsidies. Only 32 out of 564 mines could operate without subsidies. Of those 532 subsidized mines, 200 required subsidies of 50 to 100 rubles per ton while 45 needed subsidies in excess of 100 rubles per ton.⁶³ Successful mines effectively supported unsuccessful ones. Success determined how much money the enterprise had to invest in welfare, housing production, and local infrastructure.⁶⁴ In Kemerovo, five mines earned 39 million rubles from January to June 1989. After various taxes and subsidies were removed, the mines were left with 2.2 million rubles.⁶⁵

The export of a commodity for hard currency was considered by many to be a panacea for their problems. Many in the coal industry expressed this sentiment particularly after the Law on State Enterprises was passed.⁶⁶ The Soviets exported 4.6 percent of their coal production or more than 35 million tons.⁶⁷ (little-known to most miners, however, they also imported 10.9 million tons, mostly from Poland).⁶⁸ The coal miners wanted to control their exports and the currency it earned. In 1991, the independent trade union of miners (NPG) asked for and received an annual quota for export of 100,000 tons of coal "in order to cover their own needs for hard currency resources."⁶⁹ Many trade union leaders saw the potential profitability as their salvation and felt that the road out of the mess their industry was in consisted of applying cost accounting to their enterprises,

including their right to keep and sell for a profit all coal mined above state plans.⁷⁰ These sentiments were also expressed by workers; for example, A. Bokarev of the *Yuzhno-Donbasskaia-3* mine said, "What does the worker want? He wants to change his social sphere, he wants to live better. . . . Therefore we must control production ourselves, sell our own coal and spend our own money."⁷¹

Soviet railroads also had prices which were seriously out of alignment with costs. Passenger and freight tariffs were artificially extremely low. Under *perestroika*, rates began to rise. As prices went up for passengers, the number of travelers seriously dropped. In 1990, 4.2 billion passengers used the railroads, whereas in 1991 only 3.5 billion passengers used them.⁷² According to deputy minister of railways, A. Ia. Sidenko, losses for the RSFSR of 1.5 million rubles were recorded in 1991.⁷³ Russian railway minister, G. Fedayev, announced that losses in 1992 would likely be over 10 billion rubles.⁷⁴ In Ukraine, there was a financial deficit of 40 billion rubles in 1991.⁷⁵

At this same time, oil and gas shipments were being transferred to pipelines so railroads had a declining share of freight hauling.⁷⁶ The situation with poor quality and single tracks continued to worsen which limited speeds and hence potential profits. According to many experts, Soviet railroad "profitability" peaked in 1967.⁷⁷ The railroads suffered from irregular flows of passengers and freight and irrational shipment processes. As the war of laws heated up in 1990, these problems became worse as republics and autonomous regions began to hold onto already scarce rolling stock for their own use or to spare the expense of shipping it back empty. This problem was particularly acute in the high-expense lines of the Far East and Transbaikal or in the nationalistic, independence-minded regions of the Baltic, Lv'iv, and Transcaucasus lines.

In order to be productive and profitable, computerization of the railways was essential. However, investment in the railroads was declining and in 1984, less than 20 percent of the Soviet rail transport sector used computers at all.⁷⁸ Less than 30 percent of the railroad lines had even minimal access to computers.⁷⁹ The ministry was full of people doing manual calculations for an overburdened and extremely complex sector of the economy.

In terms of profitability, the perception of coal miners was that their industry could be profitable.⁸⁰ Railroad workers did not see that as an option. Therefore, coal miners should have been more likely to

form free trade unions than railroad workers, who should have stayed with the OTU.

Union organization

The last variable driving the trade union leaders' calculus on staying with the official union or leaving it is union organization. If a union organization was closed and either unwilling to make room for new leaders or to give leaders a voice in the affairs of the union, then a leader might also take the risk of leaving especially if he could gain access to hard currency and/or was in a key industry. It is important to note, however, that few leaders perceived that the potential benefits outweighed the costs of leaving the official unions, regardless of the "special circumstances" of industrial characteristics and union organization.

Looking at the model articulated in Chapter 2, part of the cost-benefit analysis trade union leaders made included looking at union organization. If a union was "reformable," leaders were likely to conclude that the costs of staying were lower and the benefits of staying were higher, whereas if the union was seen as closed and "unreformable," then the costs of leaving could be higher and the benefits of staying would be much lower.⁸¹

As the Soviet political and economic system changed, trade unions became uncertain of their control over resources (particularly the social insurance monies which they had distributed since 1933), property, and membership. In order to survive, the trade union leadership had to adapt to new challenges from below as the *nomenklatura* system disintegrated. The leaders also had new opportunities and challenges from above as their relationship with the state changed, potentially drastically. In this struggle for survival, some trade union leaders chose a risky strategy – they chose to leave the official union. In coal mining, the risks were lowered by massive labor unrest in 1989 by the workers who adamantly asserted their disdain and disrespect for the OTU. Trade union activists in coal could assume, following the massive labor unrest which vocally criticized the OTUs, that at least some workers would follow them if they formed a new trade union. In railroads, there was some strike activity in 1989 as well. But the strikes were sporadic and disorganized or led by line-level trade union leaders from the OTU.⁸² The leaders in the railroad

unions could not guarantee that any workers would join them in forming new unions.

Miners' grievances had been accumulating for years. With *glasnost*, miners could openly discuss their concerns and the media openly reported miners' problems. The recognition that the problems were not isolated, and were in fact of national importance, emboldened the miners. A large number of small and unorganized strikes occurred throughout the winter and spring of 1989.⁸³ In April, a new draft law on trade unions was published, giving trade unions a limited right to strike (stop work) – but not extending that right to individuals – under certain specified, and limited, conditions.⁸⁴ This was an attempt by the OTU to shore up their obviously sliding legitimacy and reclaim their mantle of “leading the workers.” The emphasis was on controlling workers in the economic crisis, a governmental responsibility. Additionally, the OTUs, in supporting the new law, “joined the backlash against the market-oriented policies of the Gorbachev leadership.”⁸⁵ This move by the high-level leadership of the AUCCTU would affect trade union leaders and members at all levels. The AUCCTU was firmly, and publicly, on the conservative and anti-reform end of the political spectrum, which served to alienate some trade union leaders, particularly those in industries which felt they could gain something for the economic reforms.⁸⁶ The measures proposed were meant to be populist and appeal to the workers; however, in some cases they had the opposite effect.⁸⁷ An additional dimension was now added to the trade union debate. Not only were there personal and economic reasons to form new trade unions in some industries, there was now a highly political reason to do so. Enterprising trade union leaders could use opposition to the system as a tool to recruit members and as leverage against the OTU. They could also reasonably expect to be rewarded (and the OTUs punished) if the democratizers and supporters of *perestroika* won the political struggle. Perhaps they would even be able to wrest control of the social insurance funds from the OTU.

So by the summer of 1989, the coal miners went on strike. During the strikes, the miners had to form their own leadership and organization.⁸⁸ The councils of labor collectives and the official unions were totally bypassed, as were local political centers. Local bosses were not trusted and demands were made of Moscow, not of the region leaders. Trade unions and local leaders had ignored the

grievances of the miners for many years. In addition, they ignored the many isolated and sporadic strikes that occurred in the spring of 1989, which were the precursors to the major outbreak in the summer. Many charged that the strikes showed “the total bankruptcy of many trade union functionaries.”⁸⁹ Many coal mine workers, especially underground workers, expressed anger and discontent with the OTUs. They saw the union structure as closed, hierarchical, unresponsive, bureaucratic, and rigid. So when they needed organization for their strike, they bypassed the existing trade union and formed strike committees.

The strike committees were open only to coal workers. No management or peripheral workers were allowed, in direct contradiction to the policies of the official unions. The committees were formed by initiative groups which held meetings of miners and elected the strike committees to represent the rank- and-file worker. The average age of strike committee members was only 35, young by Soviet standards. They were fairly well educated and almost all committee members were male. And one-quarter of all strike committee members were also members of the Communist Party. Strike committees formed at each mine and each committee immediately gained access to a headquarters and telephones and talked to the other mines to compare notes.⁹⁰

During the strikes, the strike committees met in almost continuous session and performed most public services, from police functions to citizen demands. They ensured order, closed all liquor stores, maintained communal services and provided for the maintenance and monitoring of the mines during the strike. The strike committees made many demands of the central government, ranging from “bread and butter” issues like wages and pensions to political demands such as the resignation of government officials. All of the pent-up grievances from more than 70 years of suppression exploded in a single blast. This catharsis may have been emotionally healthy but was not conducive to building a strong institutionalized workers’ movement, unless the committee leadership could establish some control over the workers.

Miners have tended to be in the forefront of labor disputes because of the harshness of the work: they work in close proximity which gives group solidarity, they live in isolated regions, they are a strategic resource and mining is an immobile resource.⁹¹ In USSR, miners were

better paid than many white-collar jobs so many well-educated people abandoned careers and became miners for the money (15 percent of Soviet miners – maybe more in Kuzbass). Many strike leaders come from these people.⁹²

The coal miner strikes of summer 1989 were the worst labor unrest ever in the Soviet Union. Strikes shut down seven coal-mining regions. New autonomous strike committees (*stachkomi*) organized and led the workers in opposition to the OTU, but as yet were not free trade unions. The vast majority of workers and members of the strike committee were also members of the official Union of Coal Workers. However, these new *stachkomi* continued to exist after the strikes to monitor implementation of the government's proposals.⁹³ The *stachkomi* were highly democratic and in touch with the working people. They highlighted the rigid, closed nature of the Union of Coal Workers. In addition, there were numerous polls showing the lack of legitimacy of the OTU; for example, in March 1989, a VtsIOM (All-Union Central Institute of Public Opinion) survey showed that 75 percent of urban residents had a negative impression of trade union efforts to protect workers' rights; 52 percent evaluated the trade union role as fairly or very low.⁹⁴

The Union of Coal Workers rapidly concluded that they could become marginalized. During the strikes, they had tried (and were refused) to help strikers by delivering food. Their rhetoric changed drastically. In September 1989, a plenum of the Central Committee of the Union of Coal Workers sharply criticized the passive stand that most trade union leaders assumed during the strikes. Even the Coal Union chairman argued that "for too long trade unions had been appendages of management. Restructuring is needed to forge a partnership between labor and management."⁹⁵ They held an extraordinary congress of the union of coal mining workers in early 1990.⁹⁶ And on March 30, 1990, the Union of Coal Workers announced independence from state structures.⁹⁷ But given the prevalence of the gap between words and deeds, many discounted the new OTU line.

A Second Miners' Congress was held in Donetsk, in October 1990. Debates were virulent about the state of the industry and the trade union. There, trade union leaders from the Kuzbass demanded a free trade union. They walked out of the congress when their proposals were not immediately accepted and formed a free trade union for coal

workers. Some leaders from the Donbass and most from Vorkuta joined the new free union. Delegates from the Krasnodar and Chervonograd regions voted to retain the official union.

The Independent Trade Union of Miners (*Nezavisimii Profsoiuz gorniakov* – NPG), formed on October 27, 1990, extended membership to workers only excluding enterprise directors, technicians, accountants, and others not directly working at the extraction of coal. The first order of business was a discussion of the division of trade union property between the official union and the NPG.⁹⁸ The NPG wanted control of their portion of social insurance funds and other union resources which they did not receive.

Some workers quit the OTU and joined NPG. Membership estimates vary dramatically: some argue that NPG attracted 15,000 to 17,000 workers (less than 1 percent of the total employed in coal) while NPG claimed a much higher figure.⁹⁹ The vast majority of coal workers remained with the official union and retained their benefits, services, and perquisites. They wanted guarantees on trade union activity and increased attention to the social needs of their workers.

Railroad workers, under Gorbachev, were fairly quiet. Unlike the active role the railroad trade unions took in the 1917 revolution, they remained placid.¹⁰⁰ The organization of the railroad trade unions was more open than that of the coal workers. The railroad trade unions reacted very negatively to the 1989 draft law on trade unions, sponsored by the AUCCTU and supported by the coal union. Shinkevich, chairman of the trade union's central committee, argued that the new draft law was designed to preserve the control and *diktat* of the central union organization and "poorly reflected" the protective functions of trade unions.¹⁰¹ The railroad union established study groups to discuss the draft law and to propose an alternative version. The study groups agreed with Shinkevich. They noted that the new draft law did not deal with the important issues of economic life: decentralization of control, independence of enterprises, and regional cost accounting.¹⁰² Anatolii Chornomaz, chairman of the study group to produce an alternative draft law and chairman of the *dorprofsoiuz* (roadway committee of the railroad transport workers' trade union of the Donetsk line),¹⁰³ also argued that the centralization proposed in the draft law did not "recognize the changes in the economy and society."

The position of the railroad trade union leadership was that each industrial trade union should write up and approve its own programs, regulations, and charter, determine its own structure and elect its own management organs without interference from higher trade union bodies or the state. Many leaders expressed great concern over the possibility of interference in what they deemed internal trade union issues, including L. Solonskii (chair of the *dorprofsoiuz* of the Kuibyshev line), N. Paviliuk (chairman of *dorprofsoiuz* of the Moscow line), and V. Tkachev (chairman of the *raion* committee of the Odessa line).¹⁰⁴

These discussions, and the openness with which they were conducted, were representative of the way the railroad union did business. The openness of their union organization gave trade union leaders adequate room to debate issues and to promote reforms. Therefore, the formation of free trade unions was highly unlikely.

The reaction of the state and OTUs to the rise of free trade unions (FTUs)

The rise of the free trade unions threatened the OTU. The FTUs broke the monopoly on representation held by the OTU, and although small, the FTUs seemed to have a large amount of leverage and influence vis-à-vis the government. They struck often and won massive concessions.

The official unions pursued a two-fold strategy in response to the new trade unions after the strike wave of 1989.¹⁰⁵ They strove to rebuild their legitimacy and to retain ties to the government and their control of government resources. The policy agenda of the OTU began to focus extensively on populist or social contract issues such as low prices, jobs, and income maintenance. And they sold themselves to the government, by virtue of their membership which still constituted over 95 percent of the working population, as the organization that could help the government achieve the goals of stability and governability.

At the Nineteenth AUCCTU Congress in October 1990, the AUCCTU was disbanded and in its place, was formed the General Confederation of Trade Unions (GCTU). In addition, the union established a Russian branch trade union – the Federation of Independent Trade Unions of Russia (FNPR). The OTU began to democratize their

system in order to fight for their survival. In particular they needed to retain the lifeblood of the trade union, their workers and dues.

The AUCCTU reacted to the miners, strike as well as the break-aways by other groups such as the air traffic controllers and pilots. They began populist measures, more devolution, and tightening of their ties to government and policy making through the creation of a tripartite committee. By fall 1990, the Soviet government and the Russian Republic were holding ongoing consultations with labor leaders and advocating “social partnership.” The Committee on Social Partnership was heavily weighted toward the official trade union. The FTUs received only five seats: one for NPG, one for the air traffic controllers (*FPAD*) and three for *SOTSPROF*.

In 1990, there was another draft law on trade unions. Introduced into the Supreme Soviet on October 3, 1990, and enacted on December 10, 1990,¹⁰⁶ this law recognized the rights of unions to be independent of the state, to own property, start banks, invest in joint ventures; in other words, full property and financial freedom. This freed the official unions to “do business” and take advantage of their position as controllers of a large portion of state property.

The government looked to the OTU to help them control labor unrest and protect the reforms, which they viewed as being hurt by strike activity. In looking at how Western countries dealt with inflation and stabilization, Aleksandr Shokhin, Russian Minister of Labor, noted that “Only where trade unions were strong and willing to cooperate with employers and the state to limit wage increases and inflation was there some success.”¹⁰⁷ He advocated wage control and strike regulation. He argued that the independent unions were not strong enough to control the workers and so Russia must rely on the official trade unions.

Conclusion

This chapter has analyzed the factors affecting the decision-making calculus of trade union leaders, who, due to political and economic changes at the system level, were faced with a new opportunity structure. As mentioned earlier, the decision by some trade union leaders to leave the official union occurred at many levels: national, regional, *oblast'*, and local. For the coal miners, the split was initially regional. In many other industries, after the strikes of 1989 embold-

ened workers, many enterprise and *oblast'*-level trade unions in a variety of industries began to form. The time period dealt with in this chapter, 1989 – 90, was only the beginning of the struggle within and between trade unions to represent, control, and protect the Soviet worker. The two cases presented here, coal-mining and railroad workers, were unions which differed on several key variables and hence were an interesting test of the model espoused in Chapter 2.

In this time period, official union control remained extremely tight; this variable did not differ between the two cases. Only limited, and unimportant, discussions about trade union control of state resources occurred in the period. For example, NPG demanded a share of state resources but no one took them seriously at the time. In particular, the model posited in Chapter 2 is correct about the crucial nature of official union control of social insurance funds and other government resources. Despite the bankruptcy of OTU ideology, they retained the vast majority of workers and trade union leaders due to their continued control of SIF and other government resources.

Other non-wage benefits provided by the OTU were crucial as well. These differed substantively between coal and railways. Housing, while problematic throughout the Soviet system, was a larger problem in coal regions than among railroad workers. Access to goods was also better for many railroad workers due to their mobility. Coal miners had poor access to many goods and foodstuffs. Some railroad workers even had access to foreign currency “tips” which helped them substantially.

Labor power, as posited in the model, also affects the trade union leaders' decision to stay or leave the official union. The components of labor power are wage and skill level, geographic concentration, and government priority. Coal miners were extremely well paid, railroad workers were closer to the national average but still fairly well paid. Coal miners were highly concentrated geographically and railroad workers were dispersed. Coal was a high governmental priority sector and railroads, speeches to the contrary, seemed to be a much lower priority. This implies that coal miners had very high labor power, while railroad workers did not. According to the model, that situation should lead to a high probability that trade union leaders would choose to exit the OTU to free trade unions in coal but none in railroads.

Potential profitability was also a factor in the model. Coal miners had a strong perception that their industry could be profitable if only they could control production and sales, particularly exports. Railroad workers had no such perception. So, again, the model predicted new union formation in coal but not in transport, which was the case.

The final factor in the model is union organization. As explained above, coal miners had a very closed bureaucratic union while the railroad union was more open and responsive to internal reform efforts. Again, the prediction was that union leaders would choose to exit the OTU in coal but not in railroads.

As long as the official unions continued to control social insurance and state resources, the number of trade union leaders and members who chose to exit would remain extremely low. In the next two chapters, I will look at the time period from 1992 to 1994 in which OTU control of state resources begins to change in Russia while remaining tightly controlled in Ukraine. These differences between the two states should serve to indicate the critical importance of SIF and state resources as strong incentives to stay with the official unions. In both Russia and Ukraine, I will look at two cases: metallurgists and aviation workers. This parallels my choice for the 1989–90 time period by choosing again one heavy industry and one transport industry, and yet expands the analysis by looking at two new, separate cases.

5

State–Society Relations in Post-Soviet Systems: Trade Unions in Russia

Incentives and Constraints in New Union Formation

Following the breakup of the Soviet Union, an outside observer might have expected state–society relations to change dramatically. However, while some aspects of state–society relations changed, others did not. This variable response to the disintegration of the Soviet Union can be illustrated by comparing Russia and Ukraine in the post-Soviet era. In this chapter, I look at the Russian case in which the state attempted a form of shock therapy or rapid change, while in Chapter six I look at the Ukrainian state, which preferred policies of gradualism or no change at all. State policies varied greatly as did societal responses. Constitutions, legal codes, and property rights all began to change in Russia while Ukraine muddled through with Soviet-era institutions. Russia allowed or even encouraged challenges to representational monopolies by labor organizations, while Ukraine seemed to encourage the status quo. Russia discussed and later changed the laws granting trade unions control of social funds. Ukraine did not. These state policies affected the costs and benefits of maintaining the “statist” unions or breaking away and forming new, free unions.

However, more than state policy was operating to influence the behavior of trade union leaders. In Chapter 2, I posited a model of the likelihood of new union formation. The elements of the model – state policy, labor power, profitability, and union organization – all work together to determine the probability of new union formation. The model suggests that the single most important factor in new union

formation is trade union control of social insurance. If the official union still controls social insurance and other state funds (this is a proxy for state policy), then new union formation is highly unlikely and union leaders are unlikely to leave the official unions and attempt to start new unions without access to the selective benefit of the social insurance funds.¹ However, certain industrial characteristics can overcome the improbability of union formation, in particular labor power and potential profitability of industry. If labor power and potential profitability are both “high”, then the leaders’ choice to form new unions is more probable. Lastly, a role in the leaders’ decision-making calculus is played by internal union organization. If a union is organized openly with room for discussion and elite mobility, then a union leader is more likely to remain with the official union. If, however, the union has a closed organization with no room for dispute or leadership change, then a union leader is more likely to leave the official union. Taking the examples of metallurgy and aviation, I will test the model to determine its explanatory power.

In order to determine how these factors affect the decisions of trade union leaders in terms of union formation, we must look more closely at each of them in the Russian context. First, I will address the question of state policy toward the trade unions, focusing on the social insurance funds and other state assets that trade unions managed under communism. Second, I will examine the the labor power and potential profitability of the two cases: metallurgy and aviation. And lastly, I will look at the impact of union organization on the decision-making calculus of union leaders.

State policy: control of state funds and resources

State policy occupies a key position in this model of trade union decision making (see Chapter 2). Control of state funds and resources, and in particular control of social insurance funds (SIF), is the single most important incentive for trade union leaders and members to remain with the old unions. If SIF is under the firm control of the OTU, then any decision to leave becomes very difficult for trade union leaders. They would have difficulty persuading union members to follow them if they could not offer similar benefits, and union leaders would be hesitant to exit the official union and become

competitors to those who remain in control of large amounts of state resources. As shown in the model (elaborated in Chapter 2), control of SIF and other state funds and resources is the first decision point. If control of SIF is either a solely state function or a function shared by all trade unions equally, then new unions will form and the old union will lose its primary selective benefit, thus being forced to change substantively or fail. If, however, SIF remains under the control of the old unions (de jure or de facto), then other factors become important in the decision calculus.

Russia: social insurance funds

Control of SIF or non-wage benefits by the trade unions was a key component of Soviet labor relations. In 1933, the official trade unions received responsibility for social insurance financed from the state budget. Soviet trade unions thus operated as part of the management structure of enterprises and were administrators of many social benefits. Non-wage benefits in Soviet-type systems were critical because money played a less important role in chronic shortage economies. Access to goods and services was more important, especially the distribution of scarce goods by the trade unions and enterprises. Non-wage benefits included pensions, unemployment payments, sick pay, maternity leave or pay, family allowances, and various types of social assistance.

Russia developed a fragmented system for dealing with non-wage benefits. In 1992, social funds were 7.3 percent of GDP and in the first nine months of 1993 were 7.8 percent.² These monies are divided into four different funds: the Pension Fund, Employment Fund, Fund for Social Support of the Population, and the Social Insurance Fund. The most important of these funds, in terms of trade union development, is the Social Insurance Fund.³ The SIF pays for sick leave and maternity benefits and was established in 1991 as an independent financial institution but with responsibility to the Federation of Independent Trade Unions of Russia (*Federatsia Nezavisimykh Profsoiuzov Rossii* or FNPR) – the former official union with a new name. A board of directors is selected and reports to FNPR. The first chairman of the board (Klochkov) was a former FNPR and AUCCTU president. The fund is financed through a 5.4 percent payroll contribution of which three-quarters is retained at the enterprise level for employee benefits. The balance is distributed as follows: 6

percent to the federal level and 20 percent is divided between the *oblast'* Industrial Committee and the *Oblast'* Committee of FNPR, which is used for building sanatoria, paying safety inspectors, and so on, including additional benefits for workers. The SIF ran a surplus of 5.2 billion rubles in 1991. In 1992, they had a surplus of 44.1 billion and in mid-1993 this surplus dropped to 31.7 billion.⁴ Approximately half of the money is spent on sick pay, 15 percent on sanatoria vouchers, and the remainder is unaccounted for.⁵

During 1992 and 1993, widespread non-compliance and assertions of FNPR corruption disrupted the system. The lack of accountability of FNPR to recipients and society at large, accusations by non-FNPR members that they were not receiving money, and the problem of granting administrative rights to one union in a country which has a number of unions all caused controversy to surround the SIF.

FNPR did not keep SIF funds separate from their own funds. The funds were pooled with FNPR dues and earnings. In 1993, SIF was valued at 215 billion rubles.⁶ A Supreme Soviet commission in 1992 found that SIF was financing union salaries and the establishment of union banks worth over 1 billion rubles.⁷ There were allegations against trade union leaders that they were enriching themselves and practicing *nomenklatura* privatization of union assets. Allegations of denial of benefits to members of free unions and non-union members were frequent. Rumors about misuse of funds and embezzlement were rampant. The "opportunities" presented by OTU control of SIF seemed to be legion and were an incentive to stay with the OTU. By late 1993, however, there were plans to establish a new structure to control the SIF which would greatly reduce those incentives. The discussions of SIF removal from OTU control was not a measure designed to punish trade union leaders for self-enrichment; instead, the proposals stemmed from the legislative-executive conflict which exploded in September/October 1993.

In October 1993, FNPR and its head Igor Klochkov sided with Vice-President Aleksandr Rutskoi and parliament Speaker Ruslan Khasbulatov against President Boris Yeltsin. The executive-legislative confrontation escalated into full-scale violence and the storming of the parliament building. After this conflict, Yeltsin removed control of SIF from FNPR and forced Klochkov's replacement by Mikhail Shmakov. After Shmakov took office, it appeared that a "compromise"

had been reached. In return for a leadership change, FNPR would be allowed to keep many of its prerogatives. This made the situation extremely difficult to gauge for trade union leaders and others interested in the social funds. The control of SIF was no longer clear-cut.

The current situation is complicated. Although de jure control of SIF has been removed from FNPR and the government appears to be moving in the direction of establishing a truly autonomous government policy regarding the funds, many new trade union leaders still accuse FNPR of having control. The situation is in flux. The trend is definitely one of removing the SIF and other government funds from trade union control but when de facto control cedes to the government is unclear. This amorphous situation is one in which trade union leaders must make decisions. The long-term trend is obviously toward state control of SIF, thus the incentives to leave the official union for trade union leaders increase. The lack of clarity in SIF control thus generally encourages trade union leaders to form new trade unions if their unions fulfill the economic, industrial, and union characteristics discussed below.

Russia: other state policies

The old trade unions have other funds and properties under their control as well. Under the Soviet system, housing was often provided by the enterprise and administered (the housing "list") through the trade union. Housing accounted for approximately 14 percent of labor compensation.⁸ In 1992, enterprises controlled over 57 percent of housing stocks.⁹ In heavy industry and in the military-industrial complex (*VPK*) the percentage was even greater. Housing was a way to attract and retain labor. Enterprises also provided – with trade unions taking administrative roles – day care, kindergartens, scarce goods and services (meat, cars, imported electronics, etc.). Health care was often provided by the enterprise for free and was of higher quality than neighborhood polyclinics. Firm benefits (non-wage receipts) continue to account for more than 6.3 percent of total income.¹⁰ These benefits tie workers to their enterprise and often to their trade union. A leader wishing to start a new trade union within an enterprise would have to be able to compete in offering such benefits to be successful. So, as long as OTUs control many of these non-wage benefits, few trade union leaders will choose to exit the OTU. This has been changing since 1991, sometimes drastically.

Russia has undergone extensive privatization since 1991. Generally, the Russian official trade unions no longer control access to housing. Market forces and access to cash now determine who gets housing stocks. However, in some cases, in particular company towns like Magnitigorsk and in conservative regions like Ulyanovsk, FNPR still controls and finances the construction of housing stocks. This has led to a regional disparity among trade unions in their control of non-wage benefits, sometimes even city-by-city differences. The fractionalization of politics generally, and economic power specifically, greatly muddies the waters in determining trends at the national level. Trade union leaders in areas which are highly privatized or reform-oriented see fewer constraints on leaving the official union and more incentives to do so. The converse is true in more conservative regions.

Other properties have remained under the control of FNPR. Many hotels, sanatoria, office buildings, pioneer camps, and so on still generate profits for the official union.¹¹ According to Cathy Cosman, the financial base of the official unions is very large. She asserts that only 18 percent of FNPR income comes from the SIF (estimated at 60 billion rubles in 1992), while the remaining 82 percent comes from membership dues and profits from FNPR assets.¹² These claims are very difficult to substantiate and so far no union has opened up its books to an outside audit. However, the perception by members that the official union is extremely rich and therefore worth belonging to is widespread. This also operates as a constraint on decisions to form new unions.

Russia also has not changed the Soviet system of automatic registration and automatic dues withholding for the official unions. Unlike in some East European countries, where mandatory re-registration with the union of one's choice cut down on official union power, the FNPR still benefits from automatic membership and dues payment. In order to quit FNPR, one must take the metro to Leninskii Prospekt, then take a crowded tram or bus down the main boulevard until one reaches the huge trade union complex at number 42. Once one finds the proper office in which to make the request, one must fill out forms stating one's intention of quitting FNPR. Then one must go to another office, with more paperwork, to request reimbursement and a halt to the withholding of one's dues. Basically, a full day's work is lost. Then to join a free trade union, one must fill out their paperwork and begin to pay one's trade union dues monthly at

their cashier's window. In a society where "joining" anything is not highly valued (due to the legacy of Party and mandatory trade union membership), this is a large hurdle to jump and a serious constraint on new union formation.

There has been talk of changing the automatic nature of membership and dues payment, especially as FNPR becomes as strike-prone as the free trade unions have been. The old argument for retaining those policies was for labor discipline. FNPR was less likely to strike than independents so, for labor peace, FNPR was "supported" by government policies. As FNPR has moved farther into opposition against reform and privatization and become more strike-prone, this is changing and, with it, the constraints and incentives facing union leaders.

These policies and prerogatives also mitigate against new union formation, in particular automatic dues payment and automatic registration, but once control of SIF is totally removed from FNPR and privatization takes firmer hold these perks will not be as important in decisions regarding trade union formation and membership. Enterprises, individuals, and government will take over housing. As new trade unions form, the rules on automatic membership and automatic dues payment will also change. The property controlled by FNPR is substantial but unless it has liquid value which filters down to memberships, it is relatively unimportant in itself. The perception of the members, however, is important.

Economic and industrial characteristics

Neither the Russian nor Ukrainian governments has totally removed control of SIF and other state assets from the old unions. The hold is more tenuous in Russia, so we can expect more new union development there but the economic and industrial characteristics elaborated in the model (see Chapter 2) still come into play. To recap the argument in brief, there are three factors which affect the likelihood of new union development if control of SIF is still with the official unions: labor's leverage or power, profitability, and internal union organization.

Labor power

Labor power is the value of the workforce and the importance of the industry in the economy as a whole. A union which has "high" labor

power is one in which workers cannot easily be replaced due to special skills or training, where they are geographically highly concentrated, or have a special place in the economy of the country. More highly skilled workers have relative job security due to the high entry costs of learning the appropriate skill. The labor market is therefore characterized as a closed labor market. They tend to be bold in making demands on employers since they are not easily replaced. They are the groups most likely to form unions and bear the potential costs of collective action. Therefore, union leaders within these types of industries are more likely to see more benefits and fewer costs to the organization of new unions.

Geographic concentration lowers the costs of organizing new unions. Since entire towns are based on, and work for, the local enterprise, workers are also hard to replace, have job security, and feel able to take risks such as organizing new unions or going on strike. Being able to easily communicate with other trade union leaders and members reduces the cost of new union formation and reduces the collective action problem of “free riders.” There is a strong likelihood that in branches with freedom of travel – certain sections of railroads, aviation, and the little trucking that exists – this freedom of movement reduces the importance of geographic concentration. Therefore, these industries will also present union leaders with more potential benefits and fewer potential costs in deciding whether to establish a new union.

A special place in the economy, also called strategic or critical industry, is also important in the calculus of new union formation. Traditionally, defense and heavy industries (steel, cars, planes, extractive, etc.) received preferential treatment by Soviet planners. They received higher levels of investment, better inputs, better workers, and more scarce goods to allocate to their employees. In addition, some industries in the Soviet system were critical to the operation of other sectors. Those industries (transport – especially railroads – coal, steel, oil, gas, gold, metals, minerals) were keys to the growth and well-being of the economy as a whole. In addition, the government often made pronouncements on the value or importance of various economic sectors which led unionists to believe they had “high” labor power. This aspect of the variable of labor power also reduced the costs of new union formation.¹³

These unions – those with “high” labor power – therefore have more leverage vis-à-vis the employer or state to make demands and have those demands met. They offer lower costs to union leaders in terms of organizing new groups. And union leaders in these industries are well situated to take risks in order to gain future benefits.

(a) *Wages*

Wages are an indicator of skill level. In the introduction, I discussed the role of worker skills as a component of labor power and how more highly skilled industries are more likely to have free trade unions than low-skilled industries. However, there are a number of intervening factors we must take into account, which is why the variable “labor power” has several components beyond wages. In addition, we must be aware of the problems inherent in using wages as an indicator of skill levels. Some low-skilled jobs have high wages and vice versa but wages are still useful as a general indicator of skills and particularly of the value placed on the job or industry by the government.

In Russia, the oil and gas industries are the most highly paid, followed by non-ferrous metallurgy, coal mining, and transport. The lowest paid branches are petrochemicals, health and social protection, education, culture, and agriculture (see Table 5.1). Using this statistic alone, we can hypothesize that union leaders in the highly paid oil and gas industries, non-ferrous metallurgy, coal mining, and transport would be more likely to form new unions because the model asserts that highly skilled workers are harder to replace and thus have high labor power, lowering the costs of new union formation.

(b) *Geographic structure of the economy*

In addition to skills, the model posits that the structure and importance of the industry to the economy is an important component of labor power. If an industry and its workers are highly concentrated geographically, labor power will be higher and collective action problems lower, thus raising the likelihood that union leaders would choose to form new unions. And if the industry is of strategic importance to the state (critical industry), this also raises the likelihood of new union formation. The two case studies for this chapter are metallurgy and aviation, which fit the wage criteria for labor power (both are rated either high or medium).

Table 5.1 Wages as an indicator of skill levels in Russia (in thousands of rubles) 1994

Industry	High (440+)	Medium (221–439)	Low (<220)
Oil and gas	X		
Coal mining	X		
Non-ferrous metallurgy	X		
Transport		X	
Administrative organs		X	
Building materials		X	
Ferrous metallurgy		X	
Electrical energy		X	
Petrochemicals			X
Paper/pulp			X
Machine building			X
Science			X
Health/social protection			X
Education			X
Culture and art			X
Agriculture			X
Light industry			X

Sources: Goskomstat RF: *Sotsial'no-ekonomicheskoe polozhenie Rossii*, January–October, 1994.

In the metallurgical industry, Russia retained 60 percent of Soviet metallurgical capacity. There are 920 enterprises including 200 ferrous and 145 non-ferrous factories in the Russian Federation; the remaining enterprises are either mixed production or subsidiary enterprises within the metallurgical ministry.¹⁴ Some inputs have become difficult to get since Russia has no chromium, manganese, or titanium and inadequate amounts of copper and molybdenum. These factors of production must now be imported from Ukraine, Georgia, Kazakstan, and Armenia. The capital stock is worn out and technologically backward and has received grossly insufficient investment for many years.¹⁵

Metallurgy is concentrated in the Urals region¹⁶ with some large factories in the West Siberian region. The Urals steel industry consists of large plants in Magnitogorsk, Nizhniy Tagil, Chelyabinsk, Serov, Beloretsk, Alapayevsk, Zlatoust, and Novotroisk. In West Siberia, large steel plants are found in Novokuznetsk. The Central Russian region¹⁷

Table 5.2 Geographic concentration of industry: aviation and metallurgy

Industry	Russia
Aviation	
Civil/service	Low
Building	Low
Metallurgy	Moderate

has plants in Tula and Lipetsk. Metallurgy accounted for 8.7 percent of industrial output in Russia in 1989.¹⁸ In 1991, the Urals region accounted for 50 percent of steel production.¹⁹ They are moderately centralized with 50 percent of the workforce concentrated in the Urals and the balance in Central Russia (see Table 5.2).

Russian aviation industries are located in the Urals, Central Russian, and North Caucasus regions, especially in Nizhni-Novgorod, Moscow, Moscow region, Izhevsk, Saratov, Smolensk, Kazan, Ulyanovsk, Rostov, Novosibirsk, Samara, Voronezh, and Kumertau. There are also plants in Komsomol'sk and Arsen'yev in the Far East. There are also airports in most major cities, with large or significant basing of flight personnel in Moscow, St Petersburg, Novosibirsk, Irkutsk, Vladivostok, Ekaterinburg, and others. The majority of the aircraft building industry is under the purview of the defense sector, yielding another division within the industry. The aviation industry does not publish statistics on workforce concentration; however, we know that there are no fewer than 15 major sites in Russia for aircraft manufacture, all of which have substantial workforces of approximately 10,000 to 15,000 employees each. For example, the Trade Union of Engineering-Technical Workers in Civil Aviation (*PRIAS*) has 80 primary organizations at the enterprise level in 19 regions of Russia. This is a dispersed workforce, some of whom are highly mobile.

(c) *Importance of industry: strategic sector*

Another component of the model is the importance of the industry to the state. Industrial priority is important because priority or strategic sectors of industry have more leverage vis-à-vis the state and thus union formation is more likely. Russia and Ukraine differ on their designations of priority industries.²⁰ They also differ on the resources available to fulfill those priorities (see Table 5.3).

Table 5.3 Industrial priorities: aviation and metallurgy

Industry	Russia
Aviation	
Civil/service	Moderate
Building	Low
Metallurgy	Low

Russian metallurgy has not been designated a priority sector by either the Gaidar or Chernomyrdin governments. Metallurgy in Russia has experienced sharp declines in production; according to *Trud*, it suffered a 15 percent decline in 1992.²¹ But according to Oleg Soskovets, chair of the Russian Committee on Metallurgy, output was down 17.1 percent in 1992; 17.5 percent in ferrous metallurgy and 21.7 percent in non-ferrous metallurgy.²² In 1993, metallurgical production dropped 17 percent in ferrous metallurgy and 18 percent in non-ferrous metallurgy.²³ Soskovets stated that “[t]here can be no question of any economic scientific-technical progress, of any stability and reform if the conditions for normal operation of basic industry, that is metallurgy, are not created.”²⁴ He was extremely disappointed that the government had not made metallurgy a “priority sector.” Metallurgy exports dropped 40–50 percent due to high tariffs and the governmental policy of taking half of the hard currency earnings. Soskovets argued that metallurgy could afford to retool if it was allowed to keep all that hard currency for investment.²⁵

Initially, economic reform hit metallurgy hard. Prices were decontrolled in January 1992. The industry immediately raised its prices, with no improvement in quality or product mix, from four- to twenty-fold, which in turn led to a dramatic reduction in purchasers thus increasing the already difficult straits of the metallurgical industry.²⁶ In addition, the monopoly structure of Soviet (and post-Soviet) industry and the interdependence of enterprises (especially of coal and metallurgy) caused significant problems. Rising transport costs, strikes, lack of alternative suppliers, inflexible and irrational pricing policies, and poor technology were all problems for the sector.

Metallurgy also suffers from transport problems beyond those of the poorly developed infrastructure of the country. Since the breakup of the Soviet Union, Russian metallurgy has lost 13 Black Sea ports

and five Baltic ports which had the only adequate railheads to facilitate export of metallurgical products. Rail transport of goods, formerly a negligible cost, now accounts for 35 to 38 percent (and rising) of production costs for metallurgy.²⁷

However, by January 1994, the situation was improving. There was a dramatic increase in metallurgical exports and a significant slowdown in the industrial slump in metallurgy. From a production decline of 25 percent in ferrous and 12 percent in non-ferrous metallurgy in the first six months of 1993, the rates for 1994 were 19 percent and 10 percent respectively.²⁸ Exports for the first nine months of 1994 were up 9 percent.²⁹

The Committee for Metallurgy (*Roskommetallurgiya*) stated that only 10–15 percent of Russian metallurgical output would be able to successfully compete in world markets because of its product mix and low quality.³⁰ World prices for energy would make Russia's output even less competitive in terms of pricing. Many metallurgical factories are already claiming virtual bankruptcy, including *Krasnyy Oktyabr* and *Novokuznetsk*. The Serov metallurgical combine and the Chelyabinsk combine have shut down. The Lipetsk and Cherepovets combines were close to shutting down.³¹ In January 1994, the Russian government approved a plan for overhauling the metallurgical sector, the draft Federal Program for Technical Retooling and Development of Russia's Metallurgy to the year 2000. This plan called for 40.8 billion rubles for investment, of which 69 percent is to come from the enterprises themselves, 21 percent from "other sources" and 10 percent from state investment credits.³² The plan has not been implemented in any meaningful way.

Despite government discussion about metallurgy, there is no indication that it will be made a priority sector in the near future. Subsidies continue to flow to metallurgical works, wages are fairly high, and labor unrest is low. Metallurgy is being encouraged to privatize and accept joint venture partners. Government funds are not being invested at a significant level. The Russian government has obviously decided that its limited funds are best put to use elsewhere.

Russian aviation building is a low priority of the government and in deep crisis. Declining defense orders and foreign competition have seriously damaged the Russian aviation industry.³³ Small aircraft manufacturers have been encouraged to form joint ventures but in general the industry will remain state-owned. It is hoped, by those in

the industry, that exporting aircraft, especially small sports aircraft, can be a significant export for Russia. For example, *Sukhoi* has started a joint venture with Pompano Air Center (Florida) to make and export Su-26 and Su 26MKh aircraft. These are two-seater “sports” aircraft.³⁴ Other factories have furloughed workers and shut down. The Komsomol’sk Aircraft Factory, which builds the Su-27 fighter, stopped production of the Su-27 in November 1994 due to reductions in defense orders and the defense budget. They continue to manufacture civilian aircraft and consumer goods.³⁵ Aleksei Fedorov, the general director of the Irkutsk Aviation Association, argues that there is “no conversion in Russia, simply a mass cessation of military orders, and enterprises that have been making military products all their lives are offered two choices – perish or try to escape the situation on their own.”³⁶ The Samara Aircraft Plant (now renamed *Aviakor*) has also experienced problems. In 1994 it sold only two aircraft and entered bankruptcy hearings in July 1994. The hearings were suspended for one year and many employees were furloughed. However in January 1995 they made a major sale to Britain of ten Tu-145M passenger airliners for over US \$50 million, the first large sale of Russian planes to Western Europe.³⁷ Despite talk of aviation being of integral importance to the country’s prestige and its role in ensuring defensive capabilities – mostly by the industry itself and the defense sector – the government has done little to help it out of crisis.

The Russian airline services industry is also a low priority for budget purposes. *Aeroflot* is considered an important part of Russia’s prestige abroad but receives little government support or funding. Since the partial deregulation of airlines in early 1992, new services and new airlines have led to renewed hopes of profitability in the industry but little direct government support. Small delivery services and small passenger services have begun to form, as well as some major competitors such as *Transaero*.

In general civil aviation has suffered due to budget problems. It is estimated that Russia needs at least \$300 million to lift the industry out of crisis. Its obsolete airfleet must be replaced, airports upgraded and new air traffic control technology installed. The Russian government is proposing to spend only a small fraction of what is necessary.³⁸ However, the aviation service industry, in particular pilots and air traffic controllers, are integral to transportation domestically and

internationally. Although few government pronouncements exist on their strategic importance, government behavior – especially the rapid responses to strikes in this sector – lead us to the conclusion that airline services are a moderate to high priority of the government.

Therefore, according to the model elaborated in Chapter 2, metallurgy is a poor candidate for new union formation. Union leaders do not have the incentives to take the risk of leaving the OTU as long as SIF is still firmly controlled by the official unions. However, after 1993, when SIF is in a more transitional status, we can expect to see the beginnings of new union formation. However, it is likely to be on a plant-by-plant or regional basis and to deal primarily with issues which affect that plant or region. Aviation is in a similar situation. The aviation building industry has a number of constraints on union formation, including its status as part of the defense sector (VPK). Union leaders in aviation building enterprises face similar costs and benefits to those in metallurgy. Aviation service, however, is another story. Due to the importance of air travel in such a large country, it is a higher priority than many other industries; coupled with high skill levels and thus labor power, the union leaders in aviation service see high benefits and low costs in pursuing new union formation.

Potential profitability

The next component of the model is potential profitability. Potential profitability can be seen as access to hard currency earnings and perceptions of profits by those in the industry. Industries which are highly profitable are perceived by labor as able to afford acquiescence to additional demands and as good targets for those demands and, therefore, such industries are often the target of union organizers. Union leaders perceive lower costs in attempting to buck the official unions and start a new union because they could potentially replace the benefits lost upon exiting the OTU with their own benefits delivered from “corporate profits.” Hard currency access is an important measurement of potential profitability for Soviet and post-Soviet enterprises due to the non-convertible nature and later devaluation of their currencies. But perception is probably a better measure given the problems of information and lack of understanding of market forces in post-Soviet states.

Table 5.4 Potential profitability: aviation and metallurgy

Industry	Russia
Aviation	
Civil/service	Moderate
Building	Low
Metallurgy	Low

In discussions with trade union leaders in metallurgy, most did not see the industry as profitable in the short term (see Table 5.4). Trade union leaders cited low investment, capital stock depletion, outdated machine tools, poor quality, bad labor productivity, and unstable rules for foreign investment as impeding their ability to make a profit in the short or medium terms. The production of metallurgy in Russia is too low in quality to be profitably exported and most trade union leaders see little short-term hope for profitable exports. They felt that close ties to the government, especially government subsidies, would be necessary in the foreseeable future. Many of their enterprises have been exempted from privatization as well, which further necessitates good relations with the government and hence mitigates against leaving the official union.

However, in trade union structure, metallurgical enterprises are not alone. They are organized together with non-coal miners (as well as a few coal mines). The mining and metallurgy industry controls many products that could be valuable in hard currency terms. In particular, they operate gold mines, bauxite mines, and gemstone mines. The vast majority of the workers in mining and metallurgy are metallurgical, but the potential profitability of their partners could easily play a role in determining leadership decisions.

In surveys given to Ukrainian aviation workers, the perception of profitability was addressed. In aviation, when given a list of industries and asked to mark the three most and three least profitable, respondents unanimously agreed that the oil and gas industry was the most profitable and agriculture the least profitable. Twelve of the 15 noted that coal was highly profitable, one said least profitable. Eleven said building cars was profitable while two disagreed. Metallurgy was perceived by the vast majority of respondents as highly profitable. In terms of their own industry (aviation), three-quarters of respondents felt aviation building was potentially profitable and one-

quarter felt it was one of the least profitable industries the country.³⁹ The Russian aviation industry, although in deep crisis, sees some hope of hard currency earnings but only in the long term. *Aviakor's* recent sale of 10 aircraft to Britain may revive some of their hopes. But the short term looks bleak.

Aviation service is a slightly different story. Pilots, in particular, have access to currency earnings although on a primarily *na levo* basis. Pilots routinely sell seats on aircraft, domestically and internationally. They consider it a perk of the job. Other flight personnel also use such opportunities to earn extra money. Saving seats, allowing extra passengers, selling scarce goods in-flight, and various bribes for prime seats are some of the ways flight personnel earn extra money.⁴⁰ Also, many aviation service workers at both Borispol in Kyiv and Sheremetevo in Moscow see many opportunities for earning currency in the form of tips and fees charged to foreign companies and tourists for tickets, package deliveries, security "enhancement" (keeping your bag from being stolen), and special handling.⁴¹

Therefore, according to the model in Chapter 2 dealing with the variable "profitability," trade union leaders would be highly unlikely to leave the official union except perhaps in two cases. First is aviation services, where the perception of profitability is strongest. Second is metallurgy, but only where metallurgy and miners operate jointly, as in the Severoural'sk in the Urals. The other sectors, aviation building and general metallurgy, are not profitable enough to encourage trade union leaders to take the risk of leaving the OTU while they still control SIF.

Union organization

The last element of the model articulated in Chapter two is union organization. As the system changed, instead of operating as administrative agencies and distributors of official perks, trade unions became uncertain of their control over resources (particularly the social insurance monies which they have distributed since 1933), property, and membership. In order to survive, the trade union leadership had to adapt to new challenges from below, as the *nomenklatura* system disintegrated, and new opportunities and challenges from above, as their relationship with the state changed drastically. The uncertainty that these rapid system-level changes inspired in trade union and other institutional leaders was massive and difficult

to deal with for leaders who had been able to count on their close ties with government and Party. This uncertainty changed the costs and benefits of trade union membership and of trade union leadership. Trade union leaders were confronted with a situation in which the status quo could (and did) become riskier itself. Therefore, trade union leaders calculated costs and benefits in order to determine if they should attempt to leave the OTU or stay. One part of the equation was union organization. If a union was “reformable,” leaders were likely to conclude that the benefits of staying were higher, whereas if the union was seen as closed and “unreformable,” the benefits of staying would be much lower.⁴²

In the case of Soviet trade union formation, labor unrest from below struck the first blow against the monolithic Soviet system of interest representation but trade union formation and change has been a function of leadership decisions to exit old unions and form new ones or to stay with the old unions and attempt reform. The massive coal miner strikes of summer 1989 forever changed the calculus of union leaders. The risk of government crackdowns or violence no longer existed; new avenues and choices were thus opened for union leaders. However, there were still constraints on union formation, most notably, OTU control of social insurance funds.

According to Stephen Crowley, metallurgists did not strike in 1989 and 1991 because of “mutual dependence”⁴³ on the enterprise; in other words, they received more non-wage benefits than coal miners (his comparative case) hence striking would be more costly or, as he put it, was “a powerful disincentive to collective action.”⁴⁴ Striking – especially in the period Crowley is discussing – has generally been highly correlated with membership in free trade unions. Since the official unions and enterprise directors controlled the non-wage benefits, one could extrapolate that independent unions generally did not form and that official unions remained strong. This was the case until late 1992 when the Russian government began serious discussions about removing social insurance from the control of FNPR.

At that time, Boris Misnik was elected chair of the branch trade union of Mining and Metallurgical Workers (*Gorno-metallurgicheskii profsoiuz Rossii – GMPR*). Shortly thereafter, the *GMPR* broke from FNPR. Misnik had fought a long battle with FNPR, trying to reform it from within by arguing to include workers in decision making,

allowing trade union leaders more autonomy from enterprise directors, and giving administration of the SIF to branch unions.⁴⁵ He found the FNPR structure highly closed and unwilling to reform. He, and many of his followers, also opposed Igor Klochkov's (chairman of FNPR) alliance with the Civic Union, the political union of industrialists and Red directors. They felt that the needs of the workers and the politics of the workers were very different than those of the industrialists. Misnik saw a need for more economic reforms for Russia, and therefore supported the Yeltsin government, which FNPR did not. In an interview with *Trud* in 1993 he said, "It is not privatization but rather obsolete production and uncompetitive products that are the reason for unemployment." The official unions oppose many forms, and a rapid pace, of privatization. In addition to the politics, it is hard to ignore the timing of the action, coming quickly after Yeltsin's first attempt to wrest control of SIF from FNPR. This must have been a factor in the timing of the metallurgy union's exit from FNPR.

Under Misnik, the structure of the union changed. Members were included in decision making, voting was opened up and by secret ballot, and the trade union congress in 1994 brought together one in twenty of its members with open microphone procedures for discussions.⁴⁶ The Mining and Metallurgy Trade Union claims 2.2 million members in 1027 primary organizations.⁴⁷

When the Mining and Metallurgy Union left FNPR under Boris Misnik, they left as a branch-level union. However, the structure of the union became more of a federation with large amounts of power at the enterprise and regional levels. Dues were retained at lower levels, as was decision-making power.⁴⁸ The disintegration of state power was paralleled by a fragmentation of union power. There is no longer an official union of metallurgists in Russia; however, it is more and more difficult to speak of a single union in the industry due to the fragmentation endemic in the industry's union structure.

There are two official unions in Russian aviation. They are the Federation of Trade Unions of Aviation Workers and the Trade Union of the Workers in the Aviation Industry. The Federation of Trade Unions of Aviation Workers has 344,500 members. The chair of the trade union is Boris A. Kremnev. The Trade Union of the Workers in the Aviation Industry claims 1.4 million members; the chair is Anatolii F. Breusov.

There are also several free trade unions in the aviation industry:

- the Association of Pilots of Russia (ALS) – established in 1991 and claims 17,000 members.⁴⁹ Its president is Anatolii Kochur. This organization includes military pilots.
- the Federation of Trade Unions of Air Traffic Controllers (FPAD) – founded in 1989 and claimed 11,000 members in 1994.⁵⁰ The president is Vladimir Konusenko. FPAD allows a large amount of autonomy for each of its member unions. The organization structure consists of a congress, a central committee, and an executive committee. The Congresses must be convened at least once every two years.
- the Trade Union of Engineering-Technical Workers in Civil Aviation (PRIAS) – founded in 1992 and claimed 25,000 members.⁵¹ PRIAS had 80 primary organizations at the enterprise level in 19 regions of Russia. Its president is Vladimir Kurochkin.
- the Trade Union of Civil Aviation Pilots of the Russian Federation (PLSR) – founded in 1991 and claimed 36,000 members or 83 percent of pilots in civil aviation.⁵² The president is Alfred Malinovskii.
- the Sheremetevo Pilots' Union (ShPLS) – founded in January 1992 and claimed 2500 members. The head of the union is Sergei Plevako.⁵³

The official aviation unions are operated in the “old way.” They still run on principles of democratic centralism and are subordinate to the central commands of FNPR. Their union organizations are highly closed. Members are not included in decision making, nor are they allowed to vote for the highest levels of leadership. There has been little turnover in the leaderships of these unions and many members have left to join independent unions. These unions have rarely struck and tend to work quietly, primarily in defense-sector aviation plants.

The free trade unions in aviation have been a radical bunch. FPAD and the pilots in particular have been highly strike-prone despite government rules prohibiting strikes in transportation. The number of free trade unions in Russian aviation is growing, as is the membership. The Trade Union of Engineering-Technical Workers in Civil Aviation (PRIAS) and the Sheremetevo Pilots' Union (ShPLS), both

formed in 1992, are among the recent entrants. Membership in aviation free trade unions is now approximately 91,500 compared to 1.74 million in official unions – and growing. The influence of the defense sector and its strong central control will probably limit the growth of FTUs in aviation.

The free trade unions in aviation generally support President Yeltsin and the process of economic and political reform. Since the partial deregulation of airlines in early 1992, new services and new airlines have led to renewed hopes of profitability and support for privatization and economic reform in much of the civil aviation industry. These unions offer large amounts of autonomy to their enterprise-level branches and are highly democratic. Some, like FPAD, have membership votes on all important issues.

Comparisons of aviation and metallurgy

According to the model elaborated in Chapter 2, control of state resources such as social insurance is the primary indicator of new union formation. If control of state resources is tight, then there is a strong incentive for union leaders to remain with the official unions. If, however, OTU control of state resources is loosened or removed, the incentive to stay with the old unions is greatly reduced. In addition, the model posits that low scores on labor power and profitability coupled with open union organizations should lead to a lower likelihood of new union formation, and higher values on labor power and profitability coupled with a closed union organization should lead trade union leaders to take the risk of forming new unions.

In the case of Russian aviation and metallurgy, the model is a good fit. In the period up to 1993, when the OTU had tight control of social insurance and other state resources, there was little new union formation. After 1993, when union control of state resources became more tenuous, more union leaders took the risk of leaving the OTU and forming new trade unions (see Table 5.5).

Even when state resources were tightly controlled by the OTU, there was union formation in aviation services. The model predicted new union formation to be moderately likely in both aviation service and metallurgy. This begs the question of why were there new unions in aviation service prior to 1993 and not in metallurgy? In analyzing

Table 5.5 Summary of the determinants of new trade union formation: aviation and metallurgy in Russia

	Aviation building	Aviation service	Metallurgy
Wages/skill levels	Low	High	Moderate
Geographic concentration	Low	Low	Moderate
Government priority	Low	Moderate	Low
Potential profitability	Low	Moderate	Low
Union organization	Closed	Closed	Open
Expectation of new union formation	Unlikely	Moderately likely	Moderately likely
Outcome (to 1993)	No FTU	FTU	No FTU
Outcome (post-1993) after SIF control loosened	No FTU	FTU	FTU

the model, the likely cause of the difference is the nature of union organization and the differences in wage/skill levels and government priority. Aviation services were a higher governmental priority, received higher wages, had higher skill levels (and were much more difficult to replace than metallurgists). In addition, the union leaders in aviation services had no alternatives within the OTU due to the closed nature of union organization, while the metallurgists had the opportunity to elect new leaders, discuss new ways of organizing the union, and had substantial mobility for union leaders. These factors led to the difference in outcome.

Conclusion

The model discussed in this chapter highlights the crucial nature of official union control of social insurance funds. In Russia, control of SIF has been removed from FNPR, and the initial ties of FNPR to the new bureaucracy and the partial control that this gave FNPR have been rapidly eroding. However, there is still a public perception of FNPR control, as well as allegations by free trade unions that SIF is not an “objective bureaucracy,” so I can not yet say that the official trade

unions do not have any control of SIF. Therefore I call it "highly limited control." The other variables at work are secondary to social insurance control and can be best analyzed by looking at a number of diagrams which show the values on all variables by industry and country.

In Russian metallurgy, wage/skill levels are moderate to high, geographic concentration is moderate but governmental priority is low. Profitability is also low. Yet new trade unions formed. Russian metallurgy showed little propensity to form new unions until after the Russian government began serious discussions about removing social insurance from the control of FNPR, when Boris Misnik and his branch trade union of Mining and Metallurgical Workers broke from FNPR en masse. He found the FNPR structure highly closed and unwilling to reform. He also disagreed with the OTU stance on economic reform. Misnik and the metallurgy union supported Yeltsin in arguing for rapid economic reform.

In metallurgy, I find that control of social insurance is the deciding factor in new union formation. Industrial characteristics only matter once official union control of social insurance is loosened or removed entirely. I would also suggest that my research shows labor power factors, in particular wages/skill levels and geographic concentration, are more important than potential profitability. Profitability, in the post-Soviet era, is and will be problematic. Many industrial leaders see few possibilities for profit in the near term. This runs distinctly counter to the high, but naive, hopes of coal miners in 1989, who saw profits and cost accounting as panaceas for their problems.

According to the model, there should be little union formation in aviation building in Russia. There should be moderate union formation in aviation service especially in air traffic controllers, flight personnel, and pilots. Aviation building in Russia measures low on all variables.

There are several free trade unions in the aviation service industry, mostly among pilots and flight personnel in Russia. In aviation service, high wages and skills seem to be the most important factors. In addition, there are internal characteristics of unions which can fine-tune the model and make it more powerful, in particular the structural organizational characteristics of the unions.

6

State–Society Relations in Post-Soviet Systems: Trade Unions in Ukraine

State–society relations in Russia have changed (as mentioned in Chapter 5), though not as dramatically as some outside observers predicted in 1991. Ukraine has experienced less change in terms of state–society relations and in terms of economics; indeed, some would argue that Ukraine has remained virtually unchanged. In part because Ukraine only began seriously debating a post-Soviet constitution in 1996, economic change has been piecemeal and unambitious, and property rights have lagged. Most importantly for the argument discussed here, whereas Russia removed control of state resources from the trade unions, Ukraine has not. This key factor, control of state resources, should lead to differences in the rate of new union formation between Russia and Ukraine. As noted in Chapter 5, Russia has had significant new union formation. The model used in this research would predict that Ukraine will have little or no new union formation because of state policy. The risk of leaving the official trade unions while they fully control state resources such as social insurance is too great for most trade union leaders. While control of state resources is a key indicator for new union formation, we posit several other variables which also affect the probability that union leaders will form new unions: labor power, profitability, and union organization. These variables should have less effect in the Ukrainian case than in Russia, though, because of the overriding importance of state policy. Chapter 5 analyzed the probability of new union formation in Russia using these variables and this chapter will look at the Ukrainian case.

State policy: control of state funds and resources

The state mandated control over social insurance funds (SIF) is a key factor in this model of trade union decision making. The control of SIF is the single largest incentive for trade union leaders and members to stay with the official union. The size and importance of these funds prevented many leaders and members from attempting to form new unions because they provided such benefits as pensions and sick leave among others (this model was elaborated fully in Chapter 2).¹ If the state grants sole control of SIF to the official trade unions, then the likelihood of new union formation is small. If, however, the funds are shared in some way, the likelihood of union formation grows. Thus the SIF acts as a selective benefit for union formation. But control over social insurance funds is not the sole factor in a decision to form a new union as other factors also come into play.

Ukraine: social insurance funds

In February 1991, the Ukrainian Social Insurance Fund (SIF) was created. The Fund was a "unified, republic level center for administering social insurance."² The Law stated that "all sectoral and territorial trade unions are included with the Fund's administration."³ However, feuds immediately broke out. The perception of the smaller free unions was that the official trade union, the Federation of Trade Unions of Ukraine (FPU), had predominant or total control. They argued that rather than a single fund, each union should control its "portion" of the funds to use as it saw fit. However, their complaints were not heeded. The person chosen to head the Ukrainian Social Insurance Fund was Oleksandr Yefimenko, the previous chair of the FPU, and the staff is primarily from FPU. In addition, the Fund is housed in the FPU building in central Kyiv. This has led to further speculation.

The Fund does not have full autonomy. It is overseen by a board of directors composed of 60 members, which was technically open for membership to all trade union bodies but the free unions saw this as "window dressing." Even some members of the official union were displeased. Ivan Zvinnik, vice-chair of the FPU Aviation Workers, argues that central control of the Fund is good but that the branch unions should have control to better serve the workers.⁴ He further

argues that much of the dissatisfaction within FPU, including several branch unions which refuse to forward dues to the central office, stems from this battle over social insurance monies.⁵

The state withholds 53 percent in payroll taxes from the wage fund plus an additional 1 percent employee tax for pensions. Of that 53 percent, 37 percent goes to various social funds, 12 percent goes to Chernobyl victims, and the Employment Fund (*Fond zaniatosti*) receives 3 percent. Of the 37 percent designated for social funds, 88 percent goes to the Pension Fund and 12 percent is controlled by the FPU as social insurance funds (SIF, also called short-term cash benefits). This control comes from the Ukrainian Labor Code in which trade unions are entitled to manage SIF and other “socio-cultural and recreational institutions.”⁶

The FPU is instructed to administer their 12 percent (*sotsialnoe ostrakhovanie*) for social purposes. They provide sick pay (3–4 months at 80–100 percent wages), maternity leave and benefits, funds for children, invalids, and 30–35 percent of the social fund is spent by FPU on vacations (*putievki*), sanatoria, camps, and the like.⁷ According to Aleksandr Sheikin, Chairman of SOTSPROF Ukraine (SPU), the social funds totaled \$4 billion in 1994, of which 88 percent went to fund pensions and 12 percent was administered by the trade unions. SOTSPROF controls “their portion” which is 8 percent of that 12 percent figure based on their membership.⁸

In 1991, the Social Insurance Fund was worth 4.4 billion rubles or 1.5 percent of GDP and there was a surplus of 0.7 billion rubles. By 1992, the fund was worth 75.3 billion rubles or 1.8 percent of GDP with a surplus of 20.1 billion rubles. The 1993 estimate of the Fund was 285.8 billion rubles or 1.8 percent of GDP. Social protection was budgeted at 40 percent of GDP by July 1992. Two-thirds of the population received some form of government benefit.⁹ Despite constant questioning, no one could explain why the budget for social protection was increasing rapidly, and running a deficit, while there was a large surplus in the Social Insurance Fund. I can only assume that it is due to the extrabudgetary nature of the Fund and the management which is not subsumed under the Ministry of Social Protection.

There has been much discussion on changing the system of social funds. Contributions through payroll taxes do not begin to cover the expenditures of these funds in Ukraine. Massive inflation requires

indexation and adjustment of pensions at least quarterly. Rising poverty and looming unemployment further threaten to bankrupt the system. In April and May 1993, the Cabinet of Ministers and Minister of Labor discussed comprehensive reform of the system, leading to a Conference on Social Protection in Conditions of Economic Reform in Ukraine in May 1993. The Rada approved the concept in December 1993. The newly elected Verkhovna Rada (parliament) in 1994 decided to "rethink" the reforms and has established a "working group" to analyse potential reforms.

The 1993 proposal included the establishment of four independent social funds: Pension Insurance, Health Insurance (including short-term cash benefits), Unemployment Insurance, and Employment Injury Insurance. These funds would be financed through joint contributions of employers and employed and be subject to means testing. Management of the funds would be "autonomous" by trade unions and employers subject to state oversight.¹⁰ A draft law based on these principles was composed by the Ministry of Labor and has been discussed by trade union organizations and employer groups. The key sticking point is the change in the SIF funds, their incorporation into a Health Insurance Fund and their removal from sole/direct trade union control. The FPU is obviously opposed but so are SOTSPROF Ukraine (Aleksandr Sheikin) and the chair of the Rada Committee on Labor and Social Affairs, Yuri Buzdugan (also a SOTSPROF member). Mr Buzdugan is opposed to government control of social funds, including Pension Funds. He agrees the system may be inadequate, but says it works and the government does not have the capacity to take on new tasks. He argues that the social funds should be controlled by social organizations, perhaps under a tripartite agreement.¹¹

A lawsuit over social insurance was filed by free unions with the World Court in The Hague. They contend that FPU control of SIF is "an unfair restraint on the formation and growth of new unions" and directly contradicts governmental laws on freedom of association.¹² Many free trade union leaders expressed the same concern over FPU management of state funds.¹³

Although there is some debate over control of SIF, there does not appear to be any real pressure in Ukraine to remove the funds from trade union control. The social funds are firmly controlled by the official unions and their allies. The new unions are too small and too politically powerless to force a political struggle and the government

appears to consciously strive for a united labor organization which can guarantee labor peace in exchange for governmental favors or a more corporatist arrangement.

Ukraine: other state policies

As in Russia, Ukrainian official trade unions also controlled other resources and properties, especially housing lists. Privatization in Ukraine has been much slower and less broad than in Russia. So there is no private market for housing, nor are there independent initiatives in construction. Most housing is still controlled by FPU. In addition, office buildings, recreation complexes, movie theaters, several enterprises, hotels, and the like are still controlled by and generate revenue for FPU.

Ukraine also has not changed the Soviet system of automatic registration and automatic dues withholding for the official unions. Unlike in some East European countries where mandatory re-registration with the union of your choice cut down on official union power, the FPU still benefits from automatic membership and dues payment.¹⁴ In order to utilize one's mandated "freedom of association," one must go through a daunting procedure with many "safeguards" helping the FPU retain members. One must formally and in writing request to quit FPU at FPU headquarters in central Kyiv. Then one must have a face-to-face meeting with an FPU representative who will try to talk you out of quitting.¹⁵ If one passes those hurdles, one must go to a third FPU office to request stoppage of one's automatically withheld dues. Plus one still has to join the free trade union, which involves another series of paperwork and the monthly payment of dues at the cashier's window of one's new trade union. The process takes several days and severely inhibits the desire and willingness of workers to change trade unions.

In general, the situation for old unions in Ukraine is far more secure than that in Russia. Not only is SIF still firmly controlled by FPU but the lack of privatization means their hold on housing and other state resources is also tighter.

Economic and industrial characteristics

By 1995, neither the Russian nor Ukrainian governments had totally removed SIF from the control of the official trade unions. In Russia,

the situation was more fluid and the tendency of the Russian government to allow alternative and independent unions some say in the allocation of SIF was growing, while in Ukraine the officials remained firmly in control. Given this situation, we should anticipate more new union formation in Russia than in Ukraine. However, since SIF control is not the sole determining factor, we must also look at the other variables in the model: labor power, potential profitability, and the organizational structure of the union itself.

Labor power

A workforce is said to have labor power if the workers cannot be easily replaced and therefore are more valuable. If an industry requires its workers to have special skills or training, particularly if the training takes a long time, then that industry has labor power. They are expensive to replace and therefore have more power *vis-à-vis* the enterprise management. Labor power can also come from geographic concentration. If all available manpower is working at the local factory and that area is quite remote, replacement workers will be difficult to find and will be expensive to bring in. So again, the workers have labor power. In addition, geographic concentration lowers the costs of organizing a new union and communication is easy as well. These factors also contribute to labor power. In addition, if the workers are in a strategic sector of the economy – one the government deems essential in some way – then the government cannot afford strikes and this also increases the power of labor. In the Soviet Union during the early years of independence, strategic or critical sectors of the economy included defense-related industries and heavy industries such as steel, mining, aviation manufacturing. Heavy industries received high levels of investment and got higher quality inputs, and often got more “goodies” – such as cars and quality meat – to distribute among their workers. Some industries may also have other industries dependent upon them. These industries have a far-reaching impact if labor problems emerge. Railroad transport (the vast majority of Soviet and post-Soviet goods are shipped by rail) is a key example. In addition, the government often makes policy pronouncements that other sectors are critical or strategic in some way.

So unions that represent workers with high labor power may have a greater ability to make successful demands on the state than other

groups. They may have lower organizational costs if they are geographically concentrated and well situated to take risks.

(a) *Wages*

Skill is often indicated by wage levels. In the Soviet system, wages were not always the key factor in rewarding employees, so we must look at other factors as well in order to see how skilled a worker is. However, despite the limitations of the indicator, it can be useful as a tool in determining skill levels and I will use it here as a proxy for skill in conjunction with geographic concentration and labor power.

In 1995, the Ukrainian state-wide average wage was 2.4 million karbovantsi per month. The most highly paid branch in Ukraine is coal mining, with an average wage of 20 to 30 million karbovantsi, followed by metallurgy with 7 to 10 million, aviation service with a range of 3.6 to 10 million, railroad transport with a range of 3.2 to 7.9 million and aviation building with a range of 1.5 to 2 million karbovantsi. Average monthly wages in aviation service are 3.6 million karbovantsi, substantially above the Ukrainian average of 2.4 million karbovantsi.¹⁶ Average wages in aviation building are 1.5 to 2 million karbovantsi, just under the Ukrainian average wage.¹⁷ These statistics alone would lead us to a ranking of likelihood of new union formation in Ukraine of coal mining first and aviation building last (see Table 6.1).

(b) *Geographic structure of the economy*

The geographic concentration of an industry's workforce increases its labor power by decreasing the costs of organizing and communicating and reduces collective action problems such as free-riding. The nature of the industry – whether it is critical or strategic – also improves the leverage of unions to get their demands met. The two case studies for this chapter are metallurgy and aviation that both fit the wage criteria for labor power (both are rated high or medium).

In Ukraine, metallurgy is more concentrated than in Russia, partly due to smaller state size and partly due to a traditional emphasis on heavy industry in eastern Ukraine. Steel-iron works can be found in Zhdanov, Donetsk, Makeyevka, Novomoskovsk, Konstantinovka, and Kramatorsk. Metallurgical factories can also be found in Zaporizh'ye. In excess of 70 percent of metallurgical workers are in the Donbas region. They are highly concentrated (see Table 6.2).

Table 6.1 Wages as an indicator of skill levels in Ukraine (in millions of karbovantsi), 1994–5

Industry	High (9 +)	Medium (3.1–8.9)	Low (< 3)
Coal mining	X		
Non-ferrous metallurgy	X		
Aviation service		X	
Transport		X	
Administrative organs		X	
Building materials		X	
Ferrous metallurgy		X	
Aviation building			X
Paper/pulp			X
Machine building			X
Science			X
Health/social protection			X
Education			X
Culture and art			X
Agriculture			X
Light industry			X

Source: *Ukraini v tstitfrakh*, 1994.

Table 6.2 Geographic concentration of industry: aviation and metallurgy

Industry	Ukraine
Aviation	
Civil/service	Low
Building	Low
Metallurgy	High

Ukrainian aviation industries are located in Kyiv, Zaporizh'ye, and Kharkiv, and airports are in most larger cities. Previously, aviation was totally state-owned and much was controlled by the defense sector. Aircraft construction and research and development were the sole province of the Soviet state centrally controlled through an all-union ministry in Moscow. Following the collapse of the Soviet system, the Ukrainian government took over many of these tasks. However, the industry also has its entrepreneurs. This has led to increasing dispersion of workers in aviation in Ukraine.

This increasing dispersion in Ukrainian aviation means the industry has low labor power. It is split sectorally into defense and civilian sectors and little privatization had taken place. The industry was also split into service areas such as flight attendants and pilots, and technical areas such as engineering and manufacturing. It is also geographically split, and factories and airports exist throughout Ukraine. This raises the costs of collective action and reduces the likelihood of union formation.

(c) Importance of industry: strategic sector

Another component of the model is the importance of the industry to the state. Industrial priority is important because priority or strategic sectors of industry have more leverage vis-à-vis the state, and thus union formation is more likely.

By contrast to Russia, Ukrainian industry is obsolete, poorly maintained, lacking investment, and needs massive subsidies. Disruptions in trade relations caused by the demise of USSR, coupled with conscious policy decisions to reorient trade away from Russia, has led to a collapsing economy. However, in the context of a newly independent state, these industries, regardless of how obsolete, become important in terms of prestige and autonomy (see Table 6.3).

In the past 10 years or so, investment in Ukrainian metallurgy has been very poor. Capital stock has depreciated, machine tools are grossly outdated, quality has declined from its previously poor state, and so on. The Russian metallurgy sectors in Chelyabinsk and the Urals, the Moscow region, and Western Siberia received more investment from the Soviet center and have relatively more modern equipment. As for defense industries, Ukraine manufactures several missiles, two varieties of aircraft, and miscellaneous other defense-related products.

Table 6.3 Industrial priorities: aviation and metallurgy

Industry	Ukraine
Aviation	
Civil/service	Moderate
Building	Moderate
Metallurgy	High

Ukrainian metallurgy, especially iron and steel production, was initially being deliberately slowed to economize on Russian fuel imports.¹⁸ Output dropped by 15.3 percent in the first quarter of 1992 and steel output fell by 16.5 percent.¹⁹ However, the Ukrainian government decided that metallurgy should be a priority sector primarily due to defense concerns.

Ukrainian aviation is a moderate priority. The government has encouraged small civil aviation firms and has actively encouraged the state-owned aviation builders to manufacture and export civilian and military aircraft. There are many individuals who have bought older planes – either in the West or from *Aeroflot* – to offer domestic passenger and package service between small airports and even some to Kyiv. These enterprises often run one or two planes and do not last long, although some have become quite successful, like a small company in Zaporizh'ye which runs packages in the region for a healthy profit. Universal Air, a primarily agricultural transport company, has also been highly successful. Due to fuel costs, many of these companies go bankrupt and others remain very small. In general, Ukrainian civil aviation consists of Air Ukraine (formerly Ukraine's part of *Aeroflot*) and *Transaero* (the new airline venture which flies throughout the Former Soviet Union).

Leonid Kravchuk, in a speech on industrial policy, made it a point to discuss the aircraft engine factory in Zaporizh'ye (*Motor Sich*), which produces engines exported to many other plants in the FSU. He also encouraged a joint project to develop the An-70 transport plane with Russia.²⁰ This willingness to work with Russia shows the obvious importance placed on aircraft building; however, investment funds are still lacking. Also in Zaporizh'ye is ZMBK, headed by Fedor Muravchenko, which produced the engines for Yak-40 planes, turbo engines for the An-124 and An-225, and various aircraft including the An-8, An-32, Il 18, and Il-32. Most of these aircraft are produced in conjunction with the Irkutsk Aviation Association in Russia. Customs rules, tariffs, and government policies are making prices too high and cooperation too difficult. They see Kravchuk's speech on "working with Russia" in aviation building as a good sign but are waiting for proof.

In Russia, these Ukrainian industries would be closed or drastically cut. They are unprofitable, outdated, or duplicate things Russian industry does better. The economic incentives are to close them

down. These industries become very small and sick fish in a much larger pond. However, in Ukraine, these industries take on significant dimensions. Ukraine, in order to be successful and to pursue its national interests, must have industry, must have energy resources, and must have a national defense. These industries become big sick fish in a small pond. They become worthy of attention, subsidies, and investment. Hence, their strategic position within the Ukrainian economy forces these industries and the state to take notice of them and their problems and attempt to remedy them.

Potential profitability

Union formation seems to be stronger in industries where union leaders see the ability to make a profit – preferably in hard currency. Actual profitability is not necessary, just the perception that profits might be there is often enough. In particular, industries that had products that were extremely valuable in the open world market were perceived as potentially profitable in the Soviet Union, Russia, and Ukraine. So when coal was priced at a fraction of the open market cost, that industry was perceived by many as potentially profitable. When profit potential was perceived, leaders and workers were more likely to demand some for themselves and this often took the form of new union formation (see Table 6.4).

In discussions with trade union leaders in metallurgy, most did not see the industry as profitable in the short term (see Table 6.4). They cited concerns with investment, capital stock depletion, outdated machine tools, poor quality, bad labor productivity, and unstable rules for foreign investment as impeding their ability to make a profit in the short or medium terms.²¹ Metallurgical production in both Russia and Ukraine is too low in quality to be profitably exported and most trade union leaders see little short-term hope for profitable

Table 6.4 Potential profitability: aviation and metallurgy

Industry	Ukraine
Aviation	
Civil/service	Moderate
Building	Low
Metallurgy	Low

exports.²² They felt that close ties to the government, especially government subsidies, would be necessary in the foreseeable future. Many of their enterprises have been exempted from privatization as well, which further necessitates good relations with the government and hence mitigates against leaving the official union.

However, in trade union structure, metallurgical enterprises are not alone. They are organized together with miners, usually to the exclusion of coal miners.²³ The mining and metallurgy industry controls many products that could be valuable in hard currency terms. In particular, they operate gold mines, bauxite mines, and gemstone mines. The vast majority of the workers in mining and metallurgy are metallurgical, but the potential profitability of their partners could easily play a role in determining leadership decisions. This is more true in Russia than Ukraine which has fewer precious gems and less gold.

In surveys given to Ukrainian railroad and aviation workers, the perception of profitability was addressed. In aviation, when given a list of industries and asked to mark the three most and three least profitable, respondents unanimously agreed that the oil and gas industry was the most profitable and agriculture the least profitable. Twelve of the 15 noted that coal was highly profitable, one said least profitable. Eleven said building cars was profitable while two disagreed. Metallurgy was perceived by the vast majority of respondents as highly profitable. In terms of their own industry three-quarters of respondents felt aviation building was potentially profitable and one-quarter felt it was one of the least profitable industries in Ukraine.²⁴ Among railroad workers working in the *Kyivskaia doroga*, there was substantial agreement on the three most profitable industries: all chose oil and gas, coal, and metallurgy. There was more disagreement about the three least profitable but nine out of ten said transport was among them. The only person to say transport was profitable was a conductor on the Kyiv–Moscow line.²⁵

The Ukrainian aviation industry is, and will likely remain, state-owned. It is currently exempted from privatization laws and several trade union leaders and Antonov factory workers with whom I spoke emphasized that they aspire to be like Lufthansa or British Airways – as profitable, respected public firms.²⁶ There are high hopes in Ukraine that they can manufacture and export aircraft – military and civilian – for hard currency. Few, if any, sales have been completed

although several contracts have been signed. Ukraine has managed to sell a number of MiG fighters from their airforce but these were “in-stock” not new manufactures. The Antonov factory in Kyiv is particularly interested in selling to international buyers.

Aviation service is a slightly different story. Pilots, in particular, have access to currency earnings although on a primarily *na leva* basis.²⁷ Other flight personnel also use such opportunities to earn extra money. In addition, many aviation service workers at Borispol in Kyiv see opportunities for earning currency in the form of tips and fees charged to foreign companies and tourists for tickets, package deliveries, security “enhancement” (keeping your bag from being stolen), and special handling.²⁸

Internal union organization in metallurgy and aviation

(a) Metallurgy

The FPU branch union of Metallurgists and Miners (FPU-MM) has approximately 1 million members in 600 enterprises.²⁹ Dues are 1 percent of wages and are automatically withheld. Members are legally “free to leave” although several leaders of FPU-MM admitted that the process could be time-consuming and laborious. Average wages are between 7 and 10 million karbovantsi.³⁰ The union is “traditional.” All branch employees are eligible for membership including management. The FPU provides day cares, kindergartens, hospitals, maternity benefits/leaves, travel vouchers, holiday sanatoria, and pioneer camps. They have a huge building on Independence Square in central Kyiv with an electronic clock on top which shows the time and temperature, as well as paid advertising for mostly Western companies. The first floor is primarily rented out to retailers: an IBM/Apple computer store which sells for dollars and an expensive imported clothing boutique. The second floor consists of an art gallery/dealership.

FPU still retains control of the social insurance funds. The offices of SIF share the FPU building. According to FPU officials, 37 percent of payroll is withheld by the government plus each employee has an additional 1 percent withheld for the Pension Fund. Of the 37 percent, 12 percent is controlled and administered by FPU. This money pays for short-term cash benefits such as death benefits, maternity costs, and sick pay.

Trade union work, in Ukrainian conditions, requires – according to FPU-MM officials – that enterprise directors and trade union leaders work together and cooperate. Success depends primarily on the individual dispositions involved. This means they see no conflict of interest in management and workers belonging to the same union. All employees want better wages and working conditions.

The FPU no longer operates on the principle of democratic centralism. All officers are elected in multiple candidate elections.³¹ In the last election for chair of the trade union, there were six candidates and Nikolai Minchuk was elected. The structural organization of the union is unchanged from the Soviet era. There are union organizations at the enterprise and *oblast'* levels. A secretariat, presidium, plenum, and congress (*s'iezd*). The Congress meets every five years and consists of about 1 in 7 members of the trade union as delegates. Congress elects the plenum, presidium, and secretariat. Only the Congress has the authority to change the dues or charter (*ustav*). The Plenum has 70 members and can meet twice a year in May and December if important matters need discussion. They must ratify or can veto decisions taken by the Presidium. The Presidium has 16 members and can meet as often as once a month. They make decisions and ratify decisions of the Secretariat. The Secretariat is the day-to-day operating organ of the union.

There are no free trade unions in Ukrainian metallurgy.

(b) Aviation

The service aviation personnel have formed “free” trade unions and in many cases totally routed the official unions. The pilots, flight personnel, airport personnel, and air traffic controllers all have very active and radical free trade unions. The free trade unions consist of the Trade Union of Engineering-Technical Workers of “Air Ukraine” (PITP), the Federation of Air Traffic Controllers (FPAD), the Trade Union of Civil Aviation Pilots (PALS TsA), and the Free Trade Union of Flight Personnel (NPVU). The official unions are the FPU branch unions: the Aviation Workers and the Aviation Builders.

- The Trade Union of Engineering-Technical Workers of “Air Ukraine” (PITP) was founded in 1991 and represents approximately 1500 workers at Borispol airport and L'viv airport. The head of PITP is Garii Barshaev' skii in Kyiv. From conversations

with a number of Borispol airport workers, including one of the head baggage handlers and a deputy head engineer, it appears that this union is very small and organizes only a minority of the workers at the facility.³² Many technical personnel are now working virtually freelance for the highest bidder and so do not feel they need a trade union. They can work for Western airlines and the numerous small airlines forming throughout the Soviet Union. In particular, *Transaero* is said to pay well.

- The Federation of Air Traffic Controllers (FPAD) was formed in 1989 as a Soviet organization but in 1992 reorganized into a Ukrainian trade union with six member organizations and new statutes. FPAD has since grown to nine member organizations with over 1000 members. The president of FPAD Ukraine is Oleksandr Shuliak and it has its headquarters in Kyiv.
- The Free Trade Union of Aviation Flight Personnel (NPVU) was founded in 1993. It consists of 15 organizations in 13 districts with approximately 2000 members. Its chairman is Volodymyr Sliusarev.
- The Trade Union of Civil Aviation Pilots (PALS) claims 3200 members or 87 percent of Ukrainian civilian pilots. PALS was founded in 1991 and accepts only pilots as members. The president is Sergei Roganin.

Among the free trade unions, only FPAD has a total monopoly on workers in its profession.

All of these unions operate according to International Labour Organization (ILO) procedures for strike votes, membership rules, financial decisions, and so on. Leaders are elected in open contests with secret ballots; important issues are decided by majority vote in secret ballots and dues are determined by votes of the executive councils subject to a membership referendum. Due to their small memberships, a large portion of members can attend conferences and congresses. They are not organized on the branch principle as Soviet trade unions were and official trade unions still tend to be – they restrict membership to their speciality: pilots, workers in engineering/technical jobs, controllers, and so on. They are generally considered to be “highly democratic” by their members and by outside organizations such as the American Federation of Labor/Congress of Industrial Organizations (AFL/CIO) Free Trade Union Institute.

Each of the free trade unions in aviation has joined the Coordinating Council of Free Trade Unions (CCFTU), founded in 1992. Other members include NPGU and the Railroad Engineers (Karikov). The CCFTU claims 100,000 members. Its purpose is to coordinate the actions of free trade unions in order to have more leverage against FPU and the government whom it sees as working against the interests of the workers.

The aviation construction and engineering workers, operating primarily in the defense sector, are represented by official unions. Their official union, however, has undergone extensive democratization and change and is now considered among the most “liberal” (meaning most like a “free” trade union – open with responsive management, Western goals of worker safety and protection, higher wages, and so on) within the FPU.³³

The FPU Aviation Workers represent approximately 45,000 workers including pilots (a minority), ground workers at Borispol and Juliana airports in Kyiv, baggage handlers and airport transportation workers. In 1993, according to Ivan Zvinnik, vice chair of the Aviation Workers, they had 50,000 more workers, some of whom they lost to free trade unions, but most of whom went into “free enterprise.”³⁴ The Aviation Workers is a “very small union” which operates very simply. Its structure consists of a central committee and 100 enterprise-level organizations. This simplification, and to some extent democratization, of the Aviation Workers stems from its loss of such a large number of workers and the competition from the free trade unions. In order to retain the rest of their members, it initiated *perestroika*.³⁵

The FPU Aviation Builders have also substantially “democratized”. In a survey of 15 trade union leaders at the Kyiv Antonov factory, all respondents said that there had been substantial changes in decision-making procedures and that “open microphones” were available to all leaders and rank and file during meetings.³⁶ Respondents also agreed that “important questions” were put to a membership vote and that they had “numerous opportunities to present their opinions on issues they felt were important.” Although the leadership of the union is chosen “by other leaders,” they can be fired at the annual conference by a vote.

The Aviation Builders control housing, social insurance, rest houses (*doma otdykha*), kindergartens, invalid payments, and the

distribution of subsidized or rare consumer and food goods.³⁷ Respondents were keenly aware of the FPU control of social funds and vacation passes. FPU and enterprise control of housing was also highly important. The survey also showed that a major reason for not changing unions was due to these “perks.”³⁸

Many of the free trade union leaders and members I spoke with said that they had chosen to leave the official union due to dissatisfaction with its “capacity to represent the workers”. They viewed the official union with distrust as “part of the old system” and said that reforming it from within would have been “unimaginable.” They also wanted a stake in discussions over international routes and hard currency tariffs which they saw as “potentially highly lucrative.” This “entrepreneurship” was, according to the pilots I spoke with, opposed by the official unions who wanted that money deposited into the airline coffers.³⁹

The Ukrainian service aviation personnel have also formed “free” trade unions and in many cases totally routed the official unions, despite FPU control of social insurance. This would seem to highlight the impact of high wages and perhaps travel as factors in the decisions. Skills are probably the optimal factor here as pilots and air traffic controllers are not easily trained and replaced. Ukraine tried several times during strikes to replace these civilian employees with military ones, but the strategy failed.

Comparisons of aviation and metallurgy

The strong control of state resources by Ukrainian OTUs leads us to predict that new union formation will be extremely difficult. However, some of the industrial and union characteristics could ameliorate this bleak prognosis. In aviation, low wages, little geographic concentration, and low profitability, coupled with the inclusion of much aviation manufacture in the defense sector, does not give union leaders a strong incentive to engage in risk-taking behaviors. Nor do the measurements of the variables in aviation service. However, aviation service does have FTUs. This can be explained, in part, because most of these unions were formed during the Soviet period when the future looked uncertain for the OTUs. In addition, we could argue that due to the poor condition of Ukraine’s economy, wages do not constitute a good proxy for skill levels and the skill level and

labor power (especially of pilots and air traffic controllers) of aviation service is much higher than our wage data indicate (see Table 6.5).

Metallurgy is more difficult to explain. According to the model, union formation should be moderately likely and yet no free trade unions form. There are three likely explanations. The first one is that the control by the OTUs of social funds is too secure. The second is that union organization, which has become fairly open in metallurgy, is a large factor in keeping union leaders from taking the risk of leaving the OTU. And last, that Stephen Crowley is right in his argument about mutual dependence on the enterprise in metallurgy.

Conclusion

The model discussed in this chapter highlights the critical nature of official union control of social insurance funds for new union formation. When the official trade unions retain firm control of social insurance and other state resources, the incentives facing trade union leaders to stay with the OTU are very strong. The risks of leaving the OTU are extremely high, since without social insurance funds, it would be very difficult to attract and retain members. In Ukraine, social insurance funds are still firmly under the control of FPU. Therefore, the lack of new union formation is not surprising. Instead, what is surprising is that new unions have formed at all.

Table 6.5 Summary of the determinants of new trade union formation: aviation and metallurgy in Ukraine

Variable	Aviation building	Aviation service	Metallurgy
Wages/skill levels	Low	Medium	Medium-high
Geographic concentration	Low	Low	High
Government priority	Moderate	Moderate	High
Potential profitability	Low	Moderate	Low
Expectation of new union formation	Unlikely	Not unlikely	Moderately
Outcome	No FTU	Some FTU	No FTU

The only case discussed here of new union formation in Ukraine is that of aviation service: mostly pilots and air traffic controllers. This is due to the fact that they formed under Soviet auspices, in 1989, when the outlook for an imminent change in state policy was good. Coal mining, not dealt with in this chapter, but also an industry in which free trade unions formed on the territory of Ukraine, also saw new unions formed in the waning years of Soviet control. The NPGU has remained extremely small and not very influential, though strikes in the coal basins always receive prompt government attention due to the extreme importance of all energy resources in energy-poor Ukraine.

Neither metallurgy nor aviation building in Ukraine have had any new union activity to speak of. Nor have the other branches of industry in Ukraine. As long as OTU ties to the state, including personal ties and control of social insurance funds, remain strong, there is little likelihood of new union formation in Ukraine. The risk to union leaders of leaving the official unions is too high and the potential benefits far too low.

7

Conclusion

The breakdown, and subsequent breakup, of the Soviet Union into 15 newly independent states, has allowed scholars a unique opportunity to analyze changing state–society relations, institutional change in general, and, more specifically, the impact of state policy on institutional change. This study addressed one of the puzzling elements of the Soviet collapse. When the Soviet Union collapsed, some of its institutions or pillars collapsed but others did not. What accounted for this difference in institutional survival? And how did these institutions fare in the new system?

For this study, I looked at two time periods: the late Soviet (1989–90) and the post-Soviet (1992–5). For the Soviet period, I tested the basic model posited in Chapter 2 on two unions, coal miners and railroad workers. For the post-Soviet period, I looked at two cases – Russia and Ukraine – whose post policy makers chose significantly different state policies in terms of trade union control of social insurance, union control of various other state resources, and state relations with the unions. Again, I examined two different unions: aviation and metallurgy. This quasi-experimental design was chosen in order to highlight similarities and differences in the processes of institutional change and formation. The design also enables me to draw conclusions about the differences between Russia and Ukraine in the post-Soviet period.

The basic argument of this study has been that resources drive the choice of union leaders. The changing political and economic system presents trade union leaders with choices to make about the nature of their institutions: how will the union leaders respond to those

changes? I modeled this dilemma as a choice between the “big gamble” – leaving the official union structure – and the status quo – remaining within the official union structure.

There are strong incentives for trade union leaders to remain with the official unions. The strongest of those incentives is union control of social insurance and other government resources. Leaving the official union would mean losing control of those monies and it would also mean losing those workers who would not be willing to work without the coverage of the SIF or inclusion on housing and day care lists. In addition, the OTUs still have automatic membership registration and automatic dues payment courtesy of the government. The other influences on a leader’s choice to stay/exit are industrial characteristics and internal union organizational characteristics. Labor power and potential profitability are particularly important here. If an industry has a high degree of labor power – defined as highly skilled or high wage workers, high levels of geographic concentration and a high governmental priority or strategic value of the industry to the state – or is potentially considered to be highly profitable, then leaders are more likely to take the risk of leaving the official union and starting a free trade union. Internal union organization is also important in the choices of union leaders. If a union has an open union organization – fairly democratic, open decision rules, with the possibility of interested parties becoming union leaders – then union leaders will be more likely to stay within the OTU, and if dissatisfied, will choose reform of the existing union over the risk of starting a new union. If a union organization is closed, then the risk of starting a new union will seem more palatable.

I found that in no case was the value of any one variable sufficient to explain a leader’s decision to stay or exit the official unions; instead it was a complex decision based on balancing the various risks and benefits. State policies such as control of social insurance funds, housing stocks, and other state resources have been the distinguishing factors in how trade unions, as institutions, adapted to the post-Soviet world. Industrial organization and characteristics – labor power, potential profitability, and union organization – have had a secondary importance in influencing whether new unions would form.

The Soviet period

The lifting of constraints on the actions of trade union leaders in the Soviet period, detailed in Chapter 3, was a direct consequence of macro-level changes in the Soviet system. Gorbachev's policies of *glasnost'* and *perestroika* changed the relationship between state and society. Not only did these policies affect the nature of institutions but they also dramatically changed the incentives and constraints facing those institutions and the Soviet people. Both *glasnost'* and *perestroika* opened up the Soviet system. *Glasnost'* reduced fear and opened the parameters of free speech while *perestroika* began a long process of freeing the economy from the dictates of the Party and the Plan.¹ These reforms were the impetus for the strike movements of 1989 which broke open the trade union system by effectively demonstrating the problems with the administrative trade union structures.

The strikes of 1989 shocked the trade union leadership. There was much soul searching and debate over how to respond to the grass-roots action of miners. Eventually, the trade unions were forced, by their members as well as by the systemic changes in incentives and constraints, to change from being very controlled administrative units of the Soviet system – pillars of the regime – to something more open and separated from the regime. To varying degrees, the trade union monolith began to split into a number of parts – some still tied to the old official structures, some loosely tied, and others totally separate from the old structure. The official trade unions, which accounted for 98 percent of the workforce in 1985, dropped in membership dramatically. Some members left trade unions entirely and others joined new free trade unions.

The loosening of authority at the system level, resulting from Gorbachev's reforms, gave the individuals within the trade unions more autonomy and a wider range of choice. The reforms removed the fear of being fired for innovation or being accused of wrecking. It is these individual choices on which this study has focused. The loosening of authority also led to the "war of laws" and the decentralization of power from the center to the regional, local, and enterprise levels. This dissolution of power also conditioned trade union leaders' decisions on whether to stay with the official unions or exit.

By the end of the Gorbachev period, the official unions still controlled many social benefits and government funds, dues were still automatically withheld, and membership in the OTUs was still automatic. However, there were open debates over how long this situation would last. The trade union leaders were now operating in an environment of uncertainty. They faced a choice which would have ramifications on their political and economic futures. Their choice was to take the safe road and hope that the situation did not change dramatically or to take a gamble and try to stake out some new territory by starting a free trade union. The risks of leaving the official union were still high. Leaving the official union meant the loss of control over social insurance funds and other government resources which were important to the trade union leaders and integral to trade union members. The benefits of leaving the OTU were still amorphous and unsure. However, certain factors such as labor power, profitability, and union organization could lead union leaders to take that risk.²

The Soviet era case studies, miners and railroad workers, highlight the importance of these factors. Faced with a changing opportunity structure, the leaders of the coal miners' and railroad workers' unions made choices. Since the OTU control of SIF and other government resources was still fairly strong, few took the risk. Of these two groups, only a minority of coal miners took the risk to form a new union. Most union leaders still felt too constrained by the state resources provided through the OTU.

Non-wage benefits were particularly crucial. The railroad union leaders were more closely tied to the state and ministry who depended heavily on state/union-provided access to scarce foods and consumer goods, and their relatively decent housing situation also tied them closely to the OTU. Coal mining, however, suffered from serious shortages in both areas and so felt no risk in "losing" such state benefits associated with continuing membership in the OTU.

Labor power was an important factor in the decisions as well. As described in Chapter 4, coal miners had more labor power than railroad workers and hence were more willing to oppose the state and OTU. Coal miners also felt that their industry was potentially profitable, which encouraged them to break out into an free trade union.

Union organization was also important in the leaders' decisions to leave or stay with the OTU. The railroad workers' union was organized in a more open way than the coal miners'. They had options within the OTU of change and reform which the closed union organization of the coal miners would not allow. If the coal miners wanted change, they would have to exit the OTU.

So in the Soviet period, when control of SIF and other government resources was still fairly secure, there was little new union formation. Most trade union leaders perceived the risks as too heavy and the benefits as too light. The coal miners were in a fairly unique position as the elite of the workers. Coal miners were well paid, fairly well educated, worked in a dangerous and skilled profession, and were concentrated in remote parts of the country where central control seemed far away and state benefits seemed remote. The strikes also strongly affected the trade union leaders. They had strong proof of discontent among the rank and file and therefore had an indication that if they chose to form a new union, members would follow.

The post-Soviet period: Russia and Ukraine

Following the breakup of the Soviet Union, the calculus facing trade union leaders changed yet again. In Russia, the government followed a plan of shock therapy and took steps to reduce the power of the official trade unions. The Constitution, legal codes, property rights, and the status of quasi-governmental institutions were all in flux.³ Macroeconomic stabilization meant, in many cases, lower budgets, less government spending and fewer government resources. President Boris Yeltsin actively courted the free trade unions' support, thus lending them legitimacy and helping them to stake out some claims of their own to government resources. These circumstances reached a peak in 1993 when Yeltsin punished the OTUs for supporting Rutskoi and Khasbulatov in the October crisis. Following the removal of SIF from the control of the OTUs, new trade union formation increased dramatically.⁴

Ukraine's situation was very different. In Ukraine, there were no initial moves to challenge the quasi-governmental status of the OTU nor any moves to change the control of the social insurance funds. Ukraine did not rapidly move toward economic reform nor political

reform. The situation of state-controlled resources remained very close to what it had been under the Soviets.

The contrast between Russia and Ukraine, then, gave me a wonderful opportunity to test my hypothesis that control of social insurance and government resources was key to the formation of new trade unions. According to the model posited in Chapter 2, Russia should have more new union formation than Ukraine due to the relaxed control of government resources. This, in fact, was very much the case. After 1993, a number of Russian free trade unions formed. And some would even argue that FNPR (the OTU) has also started to disintegrate into component parts and become far more independent of the state and state resources than ever before. In Ukraine, little has changed. Few free trade unions have formed. The official unions still control prime real estate, government funds, and have quasi-governmental access to political leaders and rights to both write and review legislation. This confirms the hypothesis about SIF and government resources.

Neither Russia nor Ukraine has had huge amounts of new union formation, but Russia has had substantially more than Ukraine. In addition, Russia's union structures (official and new) look far different now than the Soviet era and than Ukraine's. Russia's trade unions have become more fragmented and regionally based than either the Soviet or Ukrainian unions. In both Russia and Ukraine, the industrial characteristics and internal union organization have also affected which branch, regional, or enterprise unions would break away.⁵

It is difficult to get a true picture of how many independent or free unions there are in Russia. In terms of trade unions which have made declaratory statements that they are not descended from or not beholden to FNPR, there are no fewer than 30 such unions concentrated mostly in transportation, mining, metallurgy, journalism, teaching, and small/medium business, with self-declared memberships of over 13 million persons.⁶ However, there are numerous other trade unions which either formally belong to FNPR but do not pay dues or do not follow FNPR policies. And there are even more enterprise, local, and regional unions that act totally autonomously.⁷ The fascinating changes in Russia's labor movement are no longer at the peak levels but in enterprises themselves. Therefore, it is extremely difficult to get an accurate accounting of how many truly independent trade unions currently exist in Russia.

In Ukraine, the system is still far more centralized and the state and FPU maintain higher levels of control over dues, real estate, and social insurance funds than in Russia. There are approximately 15 free trade unions in Ukraine with self-declared memberships of approximately 1.6 million.⁸ However, many are not as independent as they would like to say they are.

Theoretical implications

Institutions such as trade unions are interesting for a variety of reasons, but for the purpose here, they are a good way of looking at the continuities and changes within a changing system and to focus on the nature and extent of those changes. (In the cases examined here, there have been far more continuities than changes.) This study has looked at how system-level changes and grass-roots demands have shaped the incentives and constraints facing a certain set of institutional leaders: trade union leaders. Although institutions generally change incrementally, there are times at which massive change can occur. The Soviet and post-Soviet cases analyzed here nicely demonstrate both types of change. On the one hand, the OTUs are good examples of incremental change. Their ways of doing business have changed slowly but cumulatively; they are very different institutions in 1995 than they were in 1985. The FTUs are good examples of massive change. The leaders of the FTUs broke away decisively from the official unions and have changed decision rules, leadership styles and their ties to the state. The politics of the FTUs are also decisively different than those of the OTUs.

Under the Soviet system, trade unions did not play much of a role as institutions defined here. They were part of the command administrative system. Now, they aggregate and articulate interests and take an active part in the interactions between state and society. The key factor in this change has been government policy and funding. As the ties with government became looser and government funding less assured, the trade union leaders were forced to adapt to the new system, thus leading to institutional change.

In particular, state–society relations have changed from statist forms of interest representation and the channelling of controlled interests to something looser and more closely resembling Western varieties of interest representation. There are elements of both pluralism and

corporatism in the post-Soviet states. The state continues to play a large role in all of the post-Soviet states and, in particular, plays a large role in economic and political reforms undertaken within the polity. Therefore, state policies toward interest and societal groups is very important in influencing the behavior of those groups.

The legacy of the Soviet period and the history of the trade unions in that system continues to influence the behavior and perception of trade unions.

Additional factors in new trade union formation

One of the factors which was peripherally dealt with in this work deserves more study and that is the impact of sector on trade union formation, meaning, defense versus civilian production sector. This is still difficult information to get given the remaining “secrecy” mentality in most post-Soviet states – but important nonetheless. Defense sectors, in many countries, have prescriptions against strikes and often against trade unions. However, due to the Soviet legacy, even the military officers, sailors, atomic energy and weapons workers have unions. What will the content of these unions be? What will their rights be? It is difficult to tell. In this study, I dealt with one industry which occupies a middle road between the defense sector and civilian production, aviation. Much of aviation building is defense industry located in formerly closed cities with little access to average citizens or foreigners. Therefore it was difficult to determine whether their lack of new union formation was a constraint of the defense sector or attributable to, for example, the low priority the government assigns them.

In addition, due to a number of reasons, this study is at a fairly high level of abstraction. I look primarily at branch unions. However, throughout my research and particularly in the period after 1995 which this study does not deal with, other factors seem to be rising in importance. The most important of these other factors are those dealing with enterprises, especially the former management troika, who are the new decision makers. New research needs to be done at this level as this is where the action is. Powerful enterprise directors can undercut trade union leaders, weak enterprise directors leave a lot of leeway for trade union leader action, and the role of the former Party leaders varies dramatically. Regional and enterprise-level trade

unions are now the focus of much activity and therefore need to be the focus of more research.

There are also a number of other factors that impact on trade unions in post-Soviet states which were not dealt with in this study, including the impact of regional political leadership, regional economic conditions, differences in levels and types of privatization, and distance from central political control (do centrally located enterprise trade unions react differently to the incentives and constraints than peripherally located trade unions?). These would be extremely interesting and profitable avenues for future research.

Prospects and trends in the trade union movement

In order for the free trade union movement in Russia, Ukraine, and other post-Soviet states to truly flourish, these countries must remove the governmental supports for the official unions. As long as union membership and dues automatically favor the OTUs, the free trade union movement will continue to be small and underdeveloped. As long as the state continues to treat the OTUs as partners in policy making, the free trade unions will be disadvantaged. And as long as OTUs continue to control state funds and resources, they will survive and have serious advantages over the free trade unions.

This is unlikely to happen for a number of reasons. The legacy of the Soviet state and the fact that most current leaders matured during the Soviet years would lead us to hypothesize that the state will remain a strong and controlling factor in all aspects of politics and economics at least for the near future. Such controls in the trade union sphere would be no exception. For example, in unstable or crisis-prone states, could it be an advantage to have a single official trade union with strong ties to the state in order to control worker demands and worker unrest? Such a corporatist bargain seems to be the stated policy in Ukraine and other post-Soviet states. Also, in states where “company towns” are still the norm – and those towns are often dependent on unprofitable enterprises – a single trade union with control over its workers could help control worker opposition to privatization and downsizing or could force the government to look for ways to change the economy without throwing large numbers of workers out of work.

In conclusion, the trade union movement in Russia has become much more fragmented and dissolute. It has little power vis-à-vis the state or other institutions except in isolated sectors, such as coal mining, where strikes continue to get results. However, the general population has become less tolerant of strikes and many of the strikes are basically “wildcat” strikes without widespread support of unions. These factors lead me to believe that the unrest in the coal regions is a sign of labor weakness not labor strength. In Ukraine, the trade unions remain much more cohesive but lack the ability, or desire, to make the life of the average worker much better. Instead they continue to behave in the “old ways” – as a part of government and management as opposed to independent labor advocates.

Russian and Ukrainian workers remain highly dependent on their jobs and enterprises and are extremely rooted to their villages and towns. There is no true labor mobility. Management and labor continue to have a coincidence of interests. They both demand the maintenance of jobs – even in situations of extremely bloated labor forces – subsidies, and wage levels. As long as these two interests operate in tandem, the likelihood of a strong independent trade union movement along Western lines remains unlikely.

Notes

Notes to Chapter 1: Theoretical Framework

- 1 For more on the general literature on state–society relations see: Joel S. Migdal, Atul Kohli, and Vivienne Shue (eds), *State Power and Social Forces: Domination and Transformation in the Third World* (Cambridge: Cambridge University Press, 1994), and Joel S. Migdal, “A Model of State–Society Relations,” in Howard Wiarda (ed.), *New Directions in Comparative Politics* (Boulder, Col.: Westview Press, 1985) pp. 41–55.
- 2 For excellent overviews of the “new institutionalism” see: Sven Steinmo, Kathleen Thelen and Frank Longstreth (eds), *Structuring Politics: Historical Institutionalism in Comparative Analysis* (New York: Cambridge University Press, 1992); Migdal, Kohli, and Shue (eds), *State Power and Social Forces*, and Ellen M. Immergut, *Health Politics: Interests and Institutions in Western Europe* (New York: Cambridge University Press, 1992).
- 3 For more on the legacy of the Soviet past, see Stephen E. Hanson, “The Leninist Legacy and Institutional Change,” *Comparative Political Studies*, 28: 2 (July 1995) pp. 306–14.
- 4 James G. March and Johan P. Olsen, *Rediscovering Institutions: The Organizational Basis of Politics* (New York: The Free Press, 1989) p. 16.
- 5 Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge: Cambridge University Press, 1990).
- 6 Jack Knight, *Institutions and Social Conflict* (Cambridge: Cambridge University Press, 1992).
- 7 Knight refers to a similar schema by using the concepts of social and political/economic institutions as well as differentiating between organization and institution.
- 8 Ellen M. Immergut, “The Rules of the Game: The Logic of Health Care Policy-making in France, Switzerland, and Sweden,” in Steinmo, Thelen and Longstreth (eds), *Structuring Politics*, pp. 57–89, at p. 63.
- 9 Immergut, “The Rules of the Game,” pp. 57–89.
- 10 There is a large literature on transitions and political change. For some examples see: Beverly Crawford and Arend Lijphart (eds), “Post Communist Transformation in Eastern Europe,” *Comparative Political Studies*, 28: 2 (July 1995); Giuseppe De Palma, *To Craft Democracies* (Berkeley: University of California Press, 1991); Guillermo O’Donnell, Phillipe Schmitter, and Lawrence Whitehead, *Transitions from Authoritarian Rule* (Baltimore, Md: Johns Hopkins University Press, 1986); Michel Oksenberg and Bruce Dickson, “The Origins, Processes, and Outcomes of Great Political Reform,” in Dankwart A. Rustow and Kenneth Paul Erickson (eds), *Comparative Political Dynamics: Global Research Perspectives* (New York:

- HarperCollins, 1991) pp. 235–61; Thomas F. Remington, “Regime Transition in Communist Systems: The Soviet Case,” *Soviet Economy*, 6: 2 (1990) pp. 160–90; J. Samuel Valenzuela, “Labor Movements in Transitions to Democracy: a Framework for Analysis,” *Comparative Politics*, 21: 4 (July 1989) pp. 445–472.
- 11 A number of scholars have discussed the idea of a post-Stalinist social contract. See, for example, Seweryn Bialer, *Stalin's Successors: Leadership, Stability, and Change in the Soviet Union* (New York: Cambridge University Press, 1980); George W. Breslauer, *Khrushchev and Brezhnev as Leaders: Building Authority in Soviet Politics* (Boston: Allen & Unwin, 1982); Walter D. Connor, “The Soviet Working Class: Change and its Political Impact,” in Michael Paul Sacks and Jerry G. Pankhurst (eds), *Understanding Soviet Society* (Winchester, Mass.: Allen & Unwin, 1988) pp. 31–52; Linda J. Cook, *The Soviet Social Contract and Why it Failed: Welfare Policy and Workers' Politics from Brezhnev to Yeltsin* (Cambridge, Mass.: Harvard University Press, 1993); Peter Hauslohner, “Gorbachev's Social Contract,” *Soviet Economy*, 3: 1 (1987) pp. 54–89.
 - 12 Philip G. Roeder, *Red Sunset: The Failure of Soviet Politics* (Princeton, NJ: Princeton University Press, 1993) p. 5.
 - 13 Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass.: Harvard University Press, 1965) pp. 51, 72–6.
 - 14 Kathleen Thelen and Sven Steinmo. “Historical Institutionalism in Comparative Politics,” in Steinmo, Thelen, and Longstreth (eds), *Structuring Politics*, p. 21.
 - 15 Stephen D. Krasner, “Approaches to the State: Alternative Conceptions and Historical Dynamics,” *Comparative Politics*, 16: 2 (January 1984) pp. 223–46.
 - 16 Thelen and Steinmo explain it as under Krasner's model “institutions explain everything until they explain nothing.” They add that the model sees institutions alternating as independent variables under normal conditions and dependent variables during crises – which obscures the dynamic relationship between institutions and environment. Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” pp. 15–17.
 - 17 See Valerie Bunce, *Do New Leaders Make a Difference? Executive Succession and Public Policy under Capitalism and Socialism* (Princeton: Princeton University Press, 1981).
 - 18 For the role of leadership in times of change see: Thelen and Steinmo, “Historical Institutionalism in Comparative Politics,” p. 21. Also: Bo Rothstein, “Labor-market institutions and working class strength,” in Steinmo, Thelen, and Longstreth (eds), *Structuring Politics*, pp. 33–56; Adam Przeworski, *Democracy and the Market* (New York: Cambridge University Press, 1991).
 - 19 These will be detailed in Chapter 3.
 - 20 This debate has raged in the Soviet literature for many years and continues in the post-Soviet period. For several examples see: Daniel Orlovsky

- (ed.), *Beyond Soviet Studies* (Washington, DC: Woodrow Wilson Center, 1995) and a special issue of *Post-Soviet Affairs*, 8: 3 (July–September 1992).
- 21 Roeder, *Red Sunset: The Failure of Soviet Politics*, p. 1.
- 22 Burawoy is referring to Martin Malia's work on the collapse of the Soviet Union here. Michael Burawoy, "From Sovietology to Comparative Political Economy," in Daniel Orlovsky (ed.), *Beyond Soviet Studies* (Washington, DC: Woodrow Wilson Center, 1995), pp. 72–102. Burawoy is critiquing Martin Malia's totalitarian approach.
- 23 John L. Campbell, "Editor's Introduction: Rebuilding the Economies of Postcommunist Europe," *American Behavioral Scientist*, 38: 5 (March/April 1995) p. 671.

Notes to Chapter 2: Institutional Change and Institutional Formation

- 1 Note that Collier and Collier analyzed the patterns of *incorporation* of trade unions by the state in Latin America (Ruth Berins Collier and David Collier, *Shaping the Political Arena: Critical Junctures, the Labor Movement and Regime Dynamics in Latin America* (Princeton: Princeton University Press, 1991). This study will look at the opposite phenomenon: that of trade unions *distancing* themselves from the state.
- 2 See Walter Connor, *The Accidental Proletariat: Workers, Politics and Crisis in Gorbachev's Russia* (Princeton: Princeton University Press, 1991); Linda Cook, *The Soviet Social Contract and Why it Failed: Welfare Policy and Workers' Politics from Brezhnev to Yeltsin* (Cambridge: Harvard University Press, 1993); Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics*, 46 (July 1994) pp. 589–615 and *From Coal to Steel: the Formation of an Independent Workers' Movement in the Soviet Union, 1989–1991*, unpublished dissertation (University of Michigan, 1993); Adam Przeworski, *Democracy and the Market: Political and Economic Reforms in Eastern Europe and Latin America* (Cambridge: Cambridge University Press, 1991); Samuel J. Valenzuela, "Labor Movements and Political Systems: a Conceptual and Typological Analysis," *Working Paper no. 167* (December 1991) and "Labor Movements in Transitions to Democracy: a Framework for Analysis," *Comparative Politics*, 21: 4 (July 1989) pp. 445–72.
- 3 Samuel P. Huntington, *Political Order in Changing Societies* (New Haven, Conn.: Yale University Press, 1968) p. 196.
- 4 A "third force" refers to uninstitutionalized workers – those who belong neither to a free union nor to an official union. They are considered wild cards and potentially disruptive forces.
- 5 RFE/RL Roundtable on Trade Unions in Post-Communist States, *Report on the USSR* (October 11, 1991).
- 6 Other options, organized-weak and unorganized-strong exist and follow a similar logic.

- 7 Guiseppe DePalma, *To Craft Democracies* (Berkeley: University of California Press, 1991); Terry Karl, "Petroleum and Political Pacts," in Guillermo O'Donnell et al., *Transitions from Authoritarian Rule* (Baltimore: Johns Hopkins University Press, 1986) and "Dilemmas of Democratization," *Comparative Politics*, 23: 1 (October 1990); Guillermo O'Donnell, Philippe Schmitter and Lawrence Whitehead, *Transitions from Authoritarian Rule* (Baltimore: Johns Hopkins University Press, 1986).
- 8 Valenzuela, "Labor Movements in Transitions to Democracy"
- 9 For works on the Soviet social contract see Chapter 1, note 17.
- 10 The terminology is difficult. Since many of the former statist or official unions have used the term "independent" in their new names, the term "independent union" as such becomes problematic (i.e. Federation of Independent Trade Unions of Russia or FNPR). Therefore, when referring to the statist unions, I will use the terms "old" or "official" and for the newly formed "independent" unions – those with no formal ties to the state – I will use the terms "new" or "free" trade unions.
- 11 In the words of Albert Hirschman, those leaders who have the option of "voice" – helping to reform the institution from the inside – would choose to stay in the institution, whereas those who see no hope of reform would likely choose "exit." Albert O. Hirschman, *Exit, Voice and Loyalty* (Cambridge, Mass.: Harvard University Press, 1970).
- 12 As mentioned in the introduction, this is basically a "selective benefits" argument. Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups* (Cambridge, Mass.: Harvard University Press, 1965).
- 13 The concepts of exit and voice (in this case, stay) come from Hirschman's work. Basically, in cases where there is no opportunity for voice, exit is the only option for those dissatisfied with the status quo. In cases where voice is a possibility, the likelihood is stay and attempt to reform. Hirschman, *Exit, Voice and Loyalty*.
- 14 In particular see: Victoria E. Bonnell, *Roots of Rebellion: Workers' Politics and Organizations in St. Petersburg and Moscow, 1900–1914* (Berkeley: University of California Press, 1983); David Brody, *Steelworkers in America* (New York: Harper Torchbooks, 1960); David Alan Corbin, *Life, Work and Rebellion in the Coal Fields* (Urbana: University of Illinois Press, 1981); Heather Hogan, *Forging Revolution: Metalworkers Managers, and the State in St. Petersburg: 1890–1914* (Bloomington: University of Indiana Press, 1993); Gary Marks, *Unions in Politics: Britain, Germany and the United States in the Nineteenth and Twentieth Centuries* (Princeton: Princeton University Press, 1989); Shelton Stromquist, *A Generation of Boomers: The Pattern of Railroad Labor Conflict in Nineteenth Century America* (Urbana: University of Illinois Press, 1987); Sidney and Beatrice Webb, *The History of Trade Unionism* (New York: Longmans, Green and Co, 1920); Charters Wynn, *Workers, Strikes and Pogroms: The Donbass-Dnepr Bend in Late Imperial Russia, 1870–1905* (Princeton: Princeton University Press, 1992).
- 15 Olson, *The Logic of Collective Action*.
- 16 Robert Michels, *Political Parties* (Glencoe, Ill.: Free Press, 1949).

- 17 For more on this see Seymour Martin Lipset, Martin Trow, and James Coleman, *Union Democracy: The Internal Politics of the International Typographers Union* (Garden City, NY: Anchor Books, 1956).

Notes to Chapter 3: The Soviet Legacy and State–Society Relations

- 1 For more on “Leninist legacies” see: Ellen Comisso, “Legacies of the Past or New Institutions,” *Comparative Political Studies*, 28: 2 (July 1995) pp. 200–38; Beverly Crawford and Arend Lijphart, “Explaining Political and Economic Change in Post-Communist Eastern Europe: Old Legacies, New Institutions, Hegemonic Norms and International Pressures,” *Comparative Political Studies*, 28: 2 (July 1995) pp. 171–99; Barbara Geddes, “A Comparative Perspective on the Leninist Legacy in Eastern Europe,” *Comparative Political Studies*, 28: 2 (July 1995) pp. 239–74; Stephen E. Hanson, “The Leninist Legacy and Institutional Change,” *Comparative Political Studies*, 28: 2 (July 1995) pp. 306–14; Ken Jowitt, *New World Disorder: The Leninist Legacy* (Berkeley: University of California Press, 1992); S. Frederick Starr (ed.), *The Legacy of History in Russia and the New States of Eurasia* (Armonk, NY: M. E. Sharpe, 1994).
- 2 Blair Ruble, *Soviet Trade Unions: Their Development in the 1970s* (Cambridge: Cambridge University Press, 1981); Alex Pravda and Blair Ruble (eds), *Trade Unions in Communist States* (Boston: Allen and Unwin, 1986).
- 3 For additional information on early workers’ organizations, see: Victoria E. Bonnell, *Roots of Rebellion: Workers’ Politics and Organizations in St. Petersburg and Moscow, 1900–1914* (Berkeley: University of California Press, 1983); E. H. Carr, *The Bolshevik Revolution: 1917–1923*, vol. 2 (New York: Penguin Books, 1983) (original printed in 1952 by Macmillan); Isaac Deutscher, *Soviet Trade Unions: Their Place in Soviet Labour Policy* (London: Royal Institute of International Affairs, 1950); Marc Ferro, *The Bolshevik Revolution: A Social History of the Russian Revolution* (London: Routledge, 1985); Theodore Friedgut, *Iuzovka and Revolution*, vol. I: *Life and Work in Russia’s Donbass, 1869–1924* (Princeton: Princeton University Press, 1989); Charters Wynn, *Workers, Strikes and Pogroms: The Donbass-Dnepr Bend in Late Imperial Russia, 1870–1905* (Princeton: Princeton University Press, 1992).
- 4 For excellent accounts of trade unions during the revolutions of 1917 see: Ferro, *The Bolshevik Revolution*; Gennady Shkliarevsky, *Labor in the Russian Revolution: Factory Committees and Trade Unions, 1917–1918* (New York: St Martin’s Press, 1993).
- 5 Deutscher, *Soviet Trade Unions*, p. 13; V. Zaichikov, *Trade Union Activity* (Moscow: Novosti Press, 1977) p. 10.
- 6 Among many accounts of this debate see: Deutscher, *Soviet Trade Unions*; Robert Conquest (ed.), *Industrial Workers in the USSR* (New York: Frederick

- A. Praeger, 1967); Ferro, *The Bolshevik Revolution*; Shkliarevsky, *Labor in the Russian Revolution*.
- 7 *USSR Zakon po profsoiuzam* (Moscow: Profizdat, 1977).
 - 8 For an excellent discussion of trade unions and their fluctuations of power under Khrushchev and Brezhnev, see Ruble, *Soviet Trade Unions: Their Development in the 1970s*, Ch. 3.
 - 9 *Ibid.*
 - 10 For more on how policy and institutional responses changed over time, see: Donald Kelley (ed.), *Soviet Politics in the Brezhnev Era* (New York: Praeger Publishers, 1980); H. Gordon Skilling and Franklin Griffiths (eds), *Interest Groups in Soviet Politics* (Princeton: Princeton University Press, 1971).
 - 11 The differences between sectoral trade unions and the military–civilian split in the economy, during the Soviet period, are fascinating topics but are not the focus of this study.
 - 12 In 1986, the state social insurance budget was estimated to be 51.9 billion rubles. Stepan Shalaev, *Soviet Trade Unions: An Influential Force in Society* (Moscow: Novosti Press, 1987), p. 11.
 - 13 For more see Conquest (ed.), *Industrial Workers in the USSR*, pp. 185–90.
 - 14 See A. Filatov, “Profsoiuzi v politicheskoi sisteme razvitogo sotsializma,” *Kommunist Tatarii* (8 August 1984) p. 13.
 - 15 This number has varied over time. For example, in 1987 the AUCCTU had 140 million members organized into 706,000 primary trade union organizations, 636,000 shop committees, 3.8 million trade union groups organized into 31 branch unions, *Kommunist*, 12 (1987), pp. 80–1.
 - 16 In 1986, 72.5 percent of the AUCCTU budget came from dues. The remaining 27.5 percent is not specified but a reasonable guess is that it came either from Party funds, or from earnings on property controlled by the trade union, or a combination of both. Approximately 66.9 percent of the budget was spent on cultural work and sports. Shalaev, *Soviet Trade Unions: An Influential Force in Society*, p. 16.
 - 17 For example, in 1987 the AUCCTU claimed “supervision or control” of 266,500 preventative centers, 281,800 sanatoria and pioneer camps, 182,700 holiday homes, 416,300 tourist centers and hotels, 23,496,000 clubs and palaces of culture, 18,792,000 stadiums and gyms, and 3,677,000 children’s sports schools. *Ibid.*, p. 15.
 - 18 Paul R. Gregory, “Productivity, Slack and Time Theft in the Soviet Economy,” *SIP Working Paper no. 15* (Urbana-Champaign: University of Illinois, February 1986), table 1, cited in Walter D. Connor, *The Accidental Proletariat: Workers, Politics and Crisis in Gorbachev’s Russia* (Princeton: Princeton University Press, 1991) p. 200.
 - 19 For more on this topic see Connor, *The Accidental Proletariat*; Ruble, *Soviet Trade Unions: Their Development in the 1970s*.
 - 20 For more on strikes during this period see Betsy Gidwitz, “Labor Unrest in the Soviet Union,” *Problems of Communism*, 23 (November/December 1982) pp. 25–42.

- 21 For excellent accounts of the history of Soviet labor relations specializing in the Gorbachev period see: Paul Thomas Christensen, *Industrial Relations Under the New Regimes: Labor Relations and Democratization 1985–1993*, PhD dissertation, Princeton University, 1993; Connor, *The Accidental Proletariat*.
- 22 Richard Sakwa, *Gorbachev and his Reforms: 1985–1990* (New York: Prentice Hall, 1990) p. 279.
- 23 James Noren, “The Economic Crisis: Another Perspective,” in Ed A. Hewett and Victor H. Winston (eds), *Milestones in Glasnost and Perestroika: The Economy* (Washington, DC: The Brookings Institution, 1991) p. 375.
- 24 Peter Hauslohner, “Democratization ‘From the Middle Out’: Soviet Trade Unions and Perestroika,” *The Harriman Institute Forum*, 1: 10 (October 1988).
- 25 For more on changes in the AUCCTU see *ibid*. For the Soviet perspective see Gennadii I. Yanaev, “Soviet Restructuring: The Position and Role of the Trade Unions,” *International Labour Review*, 126: 6 (November/December 1987) pp. 703–13.
- 26 *Moscow News*, July 1988, p. 4.
- 27 Aleksandr Auzan, “Chevo nam nada profsoiuz?” *Sotsialisticheskaya industriya*, May 1, 1989.
- 28 *Trud*, May 3, 1989.
- 29 Elizabeth Teague, “Draft Law on Trade Unions Published,” *Report on the USSR*, 1: 20 (May 19, 1989) pp. 2–3.
- 30 Premier Ryzhkov from Soviet television, 12.30 GMT November 19, 1989, (quoted in *BBC/SWB*, November 23, 1989, SU 0621 c/1).
- 31 Yuri Rudolf, deputy chair of the Kemerova regional strike committee, quoted in *the Financial Times*, July 22, 1989, p. 1.
- 32 Viktor Mitrokhin, strike leader at the Kalinin mine in Donetsk, quoted in *Reuters*, August 2, 1989.
- 33 Teimuraz Avaliani, Kuzbass strike committee leader and CPD deputy quoted in *Reuters*, August 2, 1989.
- 34 This word has become very problematic when addressing union issues in former Soviet states because all claim independence. However, for our purposes, those unions with concrete historical ties to the AUCCTU are considered “old” or former official unions – the FNPR and FPU – while the newly established unions without historical management-style ties to the state and Party are considered “free” or independent.
- 35 This body became FNPR.
- 36 *Proceedings of the Nineteenth Party Conference*, Moscow, 1989.
- 37 Vera Kabalina and Alla Nazimova, “Labor Conflict Today,” *Russian Social Science Review*, 33: 3 (May/June 1992) p. 21.
- 38 Chapter 4 will deal with these cases in more detail.
- 39 For more on strikes, class and collective action during the Soviet era see: Connor, *The Accidental Proletariat*; Walter D. Connor, “The Soviet Working Class: Change and its Political Impact,” in Michael Paul Sacks and Jerry G. Pankhurst (eds), *Understanding Soviet Society* (Winchester, Mass.: Allen and

- Unwin, 1988) pp. 31–52; Linda J. Cook, *The Soviet Social Contract and Why it Failed: Welfare Policy and Workers' Politics from Brezhnev to Yeltsin* (Cambridge: Harvard University Press, 1993); Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics*, 46 (July 1994) pp. 589–615, Stephen Crowley, *From Coal to Steel: The Formation of an Independent Workers' Movement in the Soviet Union, 1989–1991*, unpublished dissertation, University of Michigan, 1993; Kabalina and Nazimova, "Labor Conflict Today," pp. 17–27; Mary McAuley, *Labour Disputes in Soviet Russia, 1957–1965* (Oxford: Clarendon, 1969); Judith Sedaitis and James Butterfield, *Perestroika from Below* (Boulder, Col.: Westview Press, 1990); Peter Rutland, "Labor Unrest and Movements in 1989 and 1990," *Soviet Economy*, 6: 4 (1990) pp. 345–84.
- 40 By republic, Russia had 75 million members and Ukraine had 25.8 million. "V zerkale statistiki. Skol'ko nas?" *Sovietskii profsoiuz*, 17 (September 1989) p. 16.
- 41 For more on the AUCCTU under Yanaev and its debates on reform see A. Lobachev, "So vsekh storon shkola," *Kommunist Uzbekistana*, 8 (August 1990) pp. 82–8.
- 42 Poll in trust in institutions, *Narkhoz*, 1991 (mimeo).
- 43 Coal miners will be the subject of Chapter 4.
- 44 The railroad workers will be addressed in Chapter 4 and the aviation unions will be addressed in Chapters 5 and 6.
- 45 *Dokumenty politicheskikh partii i rabochego dvizheniia Rossii, 1987–1991* (Moscow: Moscow Independent Press Publishers, 1991).
- 46 By 1990, the majority of the republics had some autonomy for their republic-level structures. In the case of Russia, they established one.

Notes to Chapter 4: Institutional Change under Gorbachev

- 1 For more on case selection see Chapter 2.
- 2 Railroad workers finally established a free trade union in 1993 (*Rossiiskii profsoiuz lokomotivnykh zheleznodorozhnikov*) after Yeltsin had removed control of social insurance from the OTUs. See conclusion in Chapter 7 for additional information on this topic.
- 3 *Bol'shaia Sovetskaia Entsiklopedia* (Moscow: 1979) p. 202.
- 4 *Narodnoe khoziaistvo SSSR v 1988 g* (Moscow: Goskomstat, 1989) p. 83.
- 5 *Sotsial'noe razvitiie SSSR, 1989* (Moscow: Goskomstat, 1991) p. 102.
- 6 Bernice Madison, "The Role of Trade Union Committees in the Administration of Welfare Benefits," *Kennan Institute Occasional Papers*, no. 4 (1978) p. 12.
- 7 *Ibid.*, p. 12.
- 8 The Eighteenth Congress of the AUCCTU, in February 1987, devolved a number of powers to the *profkomi* (enterprise-level unions) including the ability to set their own spending priorities and determine their own size

and structure without AUCCTU interference; it allowed *profkomi* to pay 50 percent wage supplements to key, skilled staffers and reduced the statistical and financial reporting requirements. The AUCCTU stated their goals of reducing bureaucratism by reducing or eliminating city, district, and province trade union committees. In addition, in 1987, over one-third of all *profkomi* officials were elected in multi-candidate elections.

- 9 For example, in January 1990, V. Marchenko, chair of the Automotive Diesel Trade Union, announced that they would reduce the dues forwarded to all higher-level trade union organizations from 35 percent to 15 percent as a step toward "becoming an independent trade union" (*Izvestia*, January 30, 1990).
- 10 This pattern eventually led to a de facto devolution of power in most branch trade unions, changing the balance of power with the national federation and concentrating power in the hands of enterprise-level unions. These unions vary greatly depending upon a number of factors: leadership, relations between union and enterprise director, region of the country, economic prospects, etc. Now the union movement, despite the seeming monopoly of FNPR, is highly fragmented due to these trends of loosening authority at both the political/national level and within the trade unions.
- 11 Madison, "The Role of Trade Union Committees," p. 14.
- 12 *Ibid.*, p. 15.
- 13 Keep in mind that maintenance of the trade union's properties was paid out of the state or enterprise budget, while fees were generally retained by the union.
- 14 Michael Taylor, "Non-wage Labour Costs in the USSR and the Role of Trade Unions," in Guy Standing (ed.), *In Search of Flexibility: The New Soviet Labour Market* (Geneva: International Labour Organization, 1991) p. 241.
- 15 *Ibid.*, p. 257.
- 16 *Trud*, September 8, 1989.
- 17 Taylor, "Non-wage Labour Costs," p. 253.
- 18 See section below on government priority.
- 19 On my research trips to Donbass in 1989 and 1992, this was a common problem. Even those apartments with plumbing often had to bring water from a common faucet in the courtyard due to construction faults. The apartment I lived in in 1992 had water most mornings from 9 a.m. to 11 a.m. but rarely in the afternoons or evenings. Hot water was sporadic at best. When asked if they had complained to the enterprise or trade union, my hosts replied that they were thankful just to have an apartment at all and did not want to rock the boat. Most miners complained of overcrowding as well.
- 20 *Soviet Geography*, 4 (1990) p. 298; Peter Rutland, "Labor Unrest and Movements in 1989 and 1990," *Soviet Economy*, 6: 4 (1990) pp. 345–84.
- 21 Leslie Dienes, "Energy: From Bonanza to Crisis," *RFE/RL Report on the USSR*, 1:48 (December 1, 1989) p. 2.

- 22 Margot Jacobs, "The Hard Life of Soviet Miners," *RFE/RL Report on the USSR*, 2: 32 (August 10, 1990) p. 11.
- 23 *Soviet Geography*, 4 (1990) p. 298; Rutland, "Labor Unrest and Movements in 1989 and 1990."
- 24 *Los Angeles Times*, July 23, 1990.
- 25 *Planovoe khoziaistvo*, no. 1 (1988) p. 90. Oil workers rated 69 percent, metallurgists were next with 63–5 percent, most other industries rated between 30 and 33 percent.
- 26 *Gudok*, January 29, 1992.
- 27 *Gudok*, January 29, 1992.
- 28 Stephen Crowley referred to this phenomenon as "mutual dependence," arguing that those industries in which the enterprise and trade union closely ties its workers to the enterprise through a web of benefits unavailable to non-members are less likely to pursue collective action (and by logical extension to form new trade unions). Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics*, 46 (July 1994) pp. 589–615; Stephen Crowley, *From Coal to Steel: The Formation of an Independent Workers' Movement in the Soviet Union, 1989–1991*, unpublished dissertation, University of Michigan, 1993.
- 29 In the words of Albert Hirschman, those leaders who have the option of "voice" – helping to reform the institution from the inside – would choose to stay in the institution, whereas those who see no hope of reform would likely choose "exit." Albert O. Hirschman, *Exit, Voice and Loyalty* (Cambridge, Mass.: Harvard University Press, 1970).
- 30 *Narkhoz* (1989) p. 77 and *Sotsialisticheskaia industriya* (August 8, 1989) p. 2.
- 31 This was due primarily to the absence of a regional coefficient which raised the pay of workers in labor shortage areas like Kuzbass.
- 32 *Narkhoz* (1998). p. 77.
- 33 Railroad workers also received regional wage differentials. For example in the Transbaikal line, workers received a 25 percent premium; in the Far East, a 24 percent premium; Northern line workers got 18 percent; East Siberia, 16 percent and the Sverdlovsk, South Urals, Kazakstan, October, and West Siberian line workers received between 4 and 8 percent premiums. John Ambler et al., *Soviet and East European Transport Problems* (New York: St. Martin's Press, 1985) p. 72.
- 34 Engine crews received the best pay with 30 percent more than the average wage. Track workers got 6 percent less than average, signal operators received 8 percent less and station staff received 24 percent less than average. *Ibid.*, p. 72.
- 35 See discussion of non-wage benefits above.
- 36 See discussion of housing and non-wage benefits above.
- 37 Ambler, *Soviet and East European Transport Problems*, p. 72.
- 38 The Far East, in particular the Tunguskan and Lena Basins, are the largest coal reserves in the country but have been barely touched due to difficult

climate conditions and poor transportation facilities. Transport would also have been very expensive.

- 39 Most of the Donbass is now part of independent Ukraine.
- 40 Accounts generally agree that Donbass produced 36 percent of Soviet coal, but accounts differ on the Kuzbass. The following sources argue for 22 percent: *Soviet Geography*, 4 (1990) p. 298; Rutland, "Labor Unrest and Movements in 1989 and 1990;" Paul Lydolph, *Geography of the USSR*, 5th edn (Elkhart Lake, Wis.: Misty Valley Publishing, 1990) argued for 31 percent. Karaganda, now in independent Kazakhstan, was also a significant producer of Soviet coal (approximately 16%); it is left out of the analysis because Kazakhstan is not one of the post-Soviet cases I will examine in Chapters 5 and 6.
- 41 Soviet experts estimated that to move one unit of energy (coal) from Kuzbass across the Urals would raise its cost 150 percent. John Tedstrom, "The Importance of the Soviet Coal Industry," *RFE/RL Report on the USSR*, 1: 31 (August 4, 1989) p. 13.
- 42 The West Siberian economic region consists of Altai Republic, Altay *krai* (the administrative unit), Kemerova *oblast'*, Novosibirsk *oblast'*, Omsk *oblast'*, Tomsk *oblast'*, Tyumen' *oblast'*, Khanty-Mansi AOKrug (the autonomous *okrug* or district), and Yamalo-Nenets AOKrug.
- 43 The Northern region consists of Karelia, Komi, Arkhangel'sk *oblast'*, Nenets AOKrug, Vologda *oblast'*, and Murmansk *oblast'*.
- 44 CIA, *Russia: An Economic Profile*. (August 1994) p. 45.
- 45 For more on peculiarities of coal miners, see: David Alan Corbin, *Life, Work and Rebellion in the Coal Fields* (Urbana: University of Illinois Press, 1981); Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics*, 46 (July 1994) pp. 589–615; Crowley, *From Coal to Steel*; Theodore Friedgut, *Iuzovka and Revolution – vol. 1: Life and Work in Russia's Donbass, 1869–1924* (Princeton: Princeton University Press, 1989); Ted Friedgut and Lewis Siegelbaum, "Perestroika from Below: The Soviet Miners' Strike and its Aftermath," *New Left Review*, no. 181 (May/June 1990) pp. 5–32; Charters Wynn, *Workers, Strikes and Pogroms: The Donbass–Dnepr Bend in Late Imperial Russia, 1870–1905* (Princeton: Princeton University Press, 1992).
- 46 In the Ukrainian SSR, the railroads employed 880,000 workers.
- 47 These figures changed dramatically post independence. Ukraine formed six regional lines.
- 48 Holland Hunter and Vladimir Kontorovich, "Transport Pressures and Potentials," *Gorbachev's Economic Plans*, vol. 2 (Washington, DC: Joint Economic Committee Study Papers, November 23, 1987) pp. 392–3.
- 49 *Trud v SSSR. Goskomstat*. (1989).
- 50 *Narkhoz* (1989) p. 377.
- 51 V. Taradaiko, "The Coal Industry: Its Problems and Prospects," *Planovoe Khoziaistvo*, 7 (July 1987).

- 52 Dan Fisher, "Soviet Strikers Warned Against Rail Shut Down," *Los Angeles Times*, July 20, 1989, p. 1.
- 53 Taradaiko, "The Coal Industry: Its problems and Prospects". Unfortunately neither the 11th nor the 12th FYP were met.
- 54 *Soviet Geography*, 4 (1990) p. 298. Rutland, "Labor Unrest and Movements in 1989 and 1990."
- 55 Rubles cited are fixed 1984 rubles. Hunter and Kontorovich, "Transport Pressures and Potentials," pp. 355 and 384.
- 56 *Ibid.*, pp. 385–6.
- 57 John Ambler, Holland Hunter, and John Westwood, "Soviet Railways – Lethargy or Crisis," in John Ambler, Denis J. B. Shaw and Leslie Symons, *Soviet and East European Transport Problems* (New York: St. Martin's Press, 1985) pp. 24–89.
- 58 E. A. Rees, *Stalinism and Soviet Rail Transport, 1928–41* (New York: St. Martin's Press, 1995).
- 59 Victor Mote, "Regional Planning: The BAM and the Pyramids of Power," *Gorbachev's Economic Plans: Volume 2* (Washington, DC: Joint Economic Committee Study Papers, November 23, 1987) pp. 370–73 and 377.
- 60 Matthew Sagers, "Review of Soviet Energy Industries in 1990," *Soviet Geography*, 32: 4 (April 1991) p. 275.
- 61 Initially, this was considered a good thing. But the budget constraints of the republics were different and often tighter than those of the central government, which caused additional tensions between center and periphery within the Soviet system.
- 62 Sagers, "Review of Soviet Energy Industries in 1990," p. 275.
- 63 *Rabochaya tribuna*, October 24, 1990, cited in *ibid.*, p. 275.
- 64 This discrepancy among regional profitability led to different concerns by the free trade unions (FTUs) which were formed in 1989. The demands of Kuzbass, Donbass, and Vorkuta become progressively more different due to their different profiles, interests, and needs. For more on this topic see: Simon Clarke, Peter Fairbrother, Michael Burawoy and Pavel Krotov, *What About the Workers? Workers and the Transition to Capitalism in Russia* (London: Verso, 1993); Linda J. Cook, "Workers in the Russian Federation: Responses to the Post-Communist Transition, 1989–1993," *Communist and Post-Communist Studies*, 28: 1 (1995) pp. 13–42; Rutland, "Labor Unrest and Movements in 1989 and 1990."
- 65 *Komsomoskaya pravda*, November 2, 1989, cited in FBIS-SOV-89–237, November 18, 1989, pp. 95–8.
- 66 See Chapter 3.
- 67 Lydolph, *Geography of the USSR*, 5/e, p. 278.
- 68 *Ibid.*
- 69 *Trud*, December 5, 1991.
- 70 Author interviews with a number of FTU leaders in 1991 in Moscow and Donetsk.
- 71 *Sotsialisticheskaia industriya*, August 8, 1989, p. 2.

- 72 *Gudok*, February 5, 1992.
- 73 Ibid.
- 74 *Gudok*, February 12, 1992.
- 75 *Gudok*, April 25, 1992, p. 2.
- 76 The share of freight hauled by RRs dropped from 86 percent in 1968 to 64 percent in 1980 and continued to drop. See, Ambler et al., *Soviet and East European Transport Problems*, p. 26.
- 77 Ibid., p. 30.
- 78 *Zheleznodorozhnyi transport*, February 18, 1984.
- 79 *Zheleznodorozhnyi transport*, August 5, 1982.
- 80 The results of the demands for independence and cost accounting were deeply disappointing. In August 1989, there were seven “independent” deep pit mines, by August 1990 there were 132 nominally independent coal enterprises and 58 “leaseholds” (*Trud*, July 11, 1990). They had the right to sell coal and processed coal products above state orders to other Soviet enterprises, or to export it. The expectation in 1990 was that 22.8 million tons would be “sold” this way (Sagers, “Review of Soviet Energy Industries in 1990,” p. 274.). The “*Raspadskaia*” mine in Kuzbass sold 270,000 tons independently in the first six months of 1990 (*Raboचाia tribuna*, June 12, 1990, reported in *ibid.*, p. 274). And the “*Vorgashaia*” in Vorkuta was reported operating profitably and directly bartering with enterprises for food and equipment (BBC/SWB, July 27, 1990, p. 10, reported in *ibid.*, p. 274.). However, even with a domestic price increase of 70 percent in 1991, the price for coal still did not cover the costs of mining it. The hopes of profitability were quickly dashed, though it is rumored that many enterprise directors shipped (and continue to ship) coal *na levo* and pocket the money.
- 81 In the words of Albert Hirschman, those leaders who have the option of “voice” – helping to reform the institution from the inside – would choose to stay in the institution. Whereas those who see no hope of reform would likely choose “exit,” Hirschman, *Exit, Voice and Loyalty*.
- 82 The October line struck in July 1989. The Leningrad line struck in August and the Caucasus line struck in July and August. The first two strikes were economic, the last was ethnic and national in nature, *Soviet Labour Review*, 7 (1989–90) pp. 6–7.
- 83 For a good summary of the pre-summer strikes see: Walter D. Connor, *The Accidental Proletariat: Workers, Politics and Crisis in Gorbachev's Russia* (Princeton: Princeton University Press, 1991), Chap. 7.
- 84 Draft Law, “*O pravakh professional'nykh soiuзов SSSR*,” *Trud*, April 29, 1989.
- 85 Elizabeth Teague, “Draft Law on Trade Unions Published,” *RFE/RL Report on the USSR*, 1: 20 (1989) p. 1.
- 86 In particular, the new law proposed that bankruptcies must be approved by the trade union, that the “guarantees” on employment must be continued, and it proposed the broadening of OTU power by suggesting that price rises receive OTU approval prior to implementation. The law was also anti-cooperatives. For more see: Teague, “Draft Law on Trade Unions Published.”

- 87 Generally, the AUCCTU appealed to those workers who would be injured by economic reform: light industry, agriculture, and non-profitable industries. Railroads fell into this group. If they lost their subsidies, their future looked extremely bleak. They served to alienate those industries which saw themselves as benefiting from reform, especially heavy industry.
- 88 For excellent accounts of the strikes and their aftermath see: Linda J. Cook, "Lessons of the Soviet Coal Miners' Strike of Summer 1989," *The Harriman Institute Forum*, 4: 3 (March 1991); Friedgut and Siegelbaum, "Perestroika from Below;" Leonid E. Gordon, E. Gryzdeva, and V. Komarovski, *Shaktery-92: Sotsial'noe soznanie rabochei elity* (Moscow: Progress-Kompleks, 1993); L. Maltseva and O. N. Puliaeva, "Chto privelo k zabastovke?" *Sotsiologicheskie issledovaniia*, 6 (1990) pp. 38–42; Nina Maksimova, "Zabastovka" *Eko*, 11 (November 1989).
- 89 Author interview with miners in Donetsk, July 1993.
- 90 Friedgut and Siegelbaum, "Perestroika from Below."
- 91 For more on why miners were in the forefront of many labor struggles see *ibid.*; Crowley, *From Coal to Steel*. See note 45 above for other citations.
- 92 For example, Yuri Bondyrev, head of the Donetsk strike committee was a miner-intelligentsia. He was trained as an physicist but became a miner.
- 93 Resolution 608 of the Central Committee.
- 94 *Trud*, October 26, 1990. Also quoted in Cook, "Workers in the Russian Federation," p. 27.
- 95 *Trud*, May 5, 1989.
- 96 TASS, September 13, 1989, quoted in FBIS-SOV-89-177, September 14, 1989, p. 40.
- 97 TASS, March 30, 1990, cited in FBIS, March 29, 1990, p. 4.
- 98 *Izvestia*, October 28, 1990.
- 99 It is important to remember that many coal workers did, and still do, sympathize with NPG and their demands, so their influence has always been larger than their official membership implied.
- 100 There were a few strikes in 1989 (see above). And in 1990, railroad workers, as well as others in the transport sector, threatened to strike (prohibited by the 1989 Law on Labor Disputes – draft law: "On the Order of Solving Collective Labor Conflicts," published in *Izvestia*, August 16, 1989, final law published in *Izvestia*, October 14, 1989). They wanted guarantees on trade union activity and increased attention to the social needs of their workers.
- 101 *Trud*, August 11, 1989.
- 102 *Trud*, August 11, 1989.
- 103 And later chair of the Ukrainian Union of Railroad Workers.
- 104 *Trud*, August 11, 1989.
- 105 Lost work time: 1989, 7 million man days; January–March 1990, 9.4 million man days ("Poteri rabochego vremeni," *Uchitel'skaia gazeta* 22 (May 1990) p. 5, cited in *USSR Documents Annual*, 1990).

- 106 Published in *Izvestia*, December 14, 1990. Also available in *The Laws of the USSR and its Successor States*, 29: 6 (Winter 1993–4).
- 107 Aleksandr Shokhin (Minister of Labor, RF), "Labour Market Regulation in the USSR," *Communist Economics and Economic Transformation*, 3: 4 (1991) p. 509.

Notes to Chapter 5: State–Society Relations in Post-Soviet Systems: Trade Unions in Russia

- 1 For an analysis of how this logic works in the Soviet period, see Chapter 4.
- 2 *Russia: Social Protection During Transition and Beyond*, vol. 1 (Washington, DC: The World Bank, 1994) p. 23.
- 3 The other funds, in brief: the Pension Fund was removed from the control of the trade unions in 1990 and is financed by 32.6 percent payroll tax. This pays labor pensions and child allowances and ran a surplus in 1992. In 1993, the payroll tax contribution to pensions was reduced to 29 percent, the other 3.6 percent was designated to health insurance. The Pension Fund is run by an independent agency with 8000 employees. The Employment Fund (EF) is paid for through an unemployment payroll tax of 2 percent; 90 percent of money is controlled at the subnational or *oblast'* level. The EF ran a surplus in 1992 and 1993 due to the low levels of registered unemployment. The EF is administered by the Federal Employment Service which is separate from the Ministry of Labor. They estimate approximately 60 percent compliance with the payroll tax. The Fund for Social Support of the Population is funded and controlled at the *oblast'* level. This fund consumes less than 0.1 percent of GDP.
- 4 *Russia: Social Protection During Transition and Beyond*, vol. 1, p. 32.
- 5 The rumors are rampant and documentation is unavailable. Some of those rumors are that FNPR leaders have established banks, invested in vouchers and stock funds and personally enriched themselves. Since oversight is non-existent and FNPR will not release documents for audit, it is difficult to know. FNPR leaders, of course, protest their innocence.
- 6 *Russian Federation: Economic Review* (Washington, DC: IMF, 1993) p. 18.
- 7 *Russia: Social Protection During Transition and Beyond*, vol. 1, p. 33.
- 8 *Ibid.*, p. 22.
- 9 *Ibid.*, p. 22.
- 10 *Russia: Social Protection During Transition and Beyond*, vol. 11 (Washington, DC: The World Bank, 1994) p. 38.
- 11 It is only fair to note that these profit-making ventures also entail costs. As noted in several interviews, in particular with V. V. Akimov of FNPR's Humanitarian Commission, the upkeep and taxes on trade union property offset some of the profit, and opponents of the official unions always forget the costs and cite the profits of these ventures.

- 12 Catherine Cosman, "Labor Issues in Post-Soviet Society," unpublished paper given at the Kennan Institute for Advanced Russian Studies, June 7, 1993.
- 13 It is important to note here that in the Soviet case, this particular indicator may not always work in this direction. There are cases in which the critical industry approach may lead to dependence on the enterprise director or ministry which could mitigate against new union formation.
- 14 *Rossiiskiy Vesti*, September 22, 1993, p. 7.
- 15 Ibid.
- 16 The Urals economic region consists of Bashkiria, Udmurtia, Kurgan *oblast'*, Perm *oblast'*, Orenberg *oblast'*, Komi-Permyat *AOKrug*, Sverdlovsk *oblast'*, and Chelyabinsk *oblast'*.
- 17 The Central Russian economic region consists of Moscow, Moscow *oblast'*, Bryansk *oblast'*, Vladimir *oblast'*, Ivanova *oblast'*, Kaluga *oblast'*, Kostroma *oblast'*, Orel *oblast'*, Ryazan' *oblast'*, Smolensk *oblast'*, Tver' *oblast'*, Tula *oblast'*, and Yaroslav'1 *oblast'*.
- 18 *Russia: An Economic Profile*, CIA, August 1994, p. 12.
- 19 Ibid., p. 37.
- 20 For Ukraine see Chapter 6; for a comparison of Russia and Ukraine, see Chapter 7.
- 21 *Trud*, February 6, 1992, p. 2.
- 22 *Rossiiskiy Vesti*, April 7, 1993, pp. 3–4.
- 23 *Delovoi mir*, January 28, 1995, p. 4. Reported in FBIS-SOV-95-035-S, 22 February 1995, p. 12.
- 24 *Rossiiskiy Vesti*, April 7, 1993, pp. 3–4.
- 25 Ibid.
- 26 *Gudok*, December 20, 1994, p. 2.
- 27 Matthew Sagers, "Review of the Iron and Steel Industries in 1990," *Post-Soviet Geography*, 33:5 (April): p. 33.
- 28 *Delovoi mir*, January 28, 1995, p. 4. Reported in FBIS-SOV-95-035-S, 22 February 1995, p. 12.
- 29 Ibid.
- 30 *Kommersant-Daily*, January 28, 1994, p. 2, reported in FBIS-USR-94-015, 17 February 1994, p. 52–3.
- 31 *Sovetskaya Rossiia*, January 29, 1994, p. 1. reported in FBIS-USR-94-012, 10 February 1994, pp. 58–9.
- 32 *Rossiiskiy Vesti*, February 5, 1994, p. 1.
- 33 *Delovoi Mir*, November 18, 1994, p. 4.
- 34 *Grazhdanskaia aviatsia*, March 1993, pp. 2–4, reported in FBIS-USR-93-130, p. 54.
- 35 *RFE/RL Daily Report*, no. 227, December 2, 1994.
- 36 *Grazhdanskaia aviatsia*, October 1994, pp. 6–7, reported in FBIS-USR-94-118, p. 76.
- 37 OMRI Daily Report, 22: 1 (January 31, 1995).
- 38 *Monitor*, 1: 101 (September 22, 1995).

- 39 The survey was given to 15 randomly selected trade union members and leaders at the Antonov factory in Kyiv on April 5, 1995. I was unable to access lower-level trade union leaders in Russia, but showed my results to several Russian specialists, who asserted that the Russian situation was comparable in terms of profitability due to extremely close ties among the aviation industry of the FSU.
- 40 The selling of goods was particularly rampant from 1990 to 1992. I was on several flights in which the flight attendants made hundreds of dollars selling Turkish textiles, children's clothes, and other imported goods. Most flight attendants I have interviewed openly admit supplementing their incomes.
- 41 This seems fairly institutionalized at these two airports. I spoke with 10 service workers at Borispol and another eight at Sheremeteva, all of whom told the same story. Unfortunately, none wanted their names used for obvious reasons.
- 42 In the words of Albert Hirschman, those leaders who have the option of "voice" – helping to reform the institution from the inside – would choose to stay in the institution, whereas those who see no hope of reform would likely choose "exit." Albert O. Hirschman. *Exit, Voice and Loyalty* (Cambridge, Mass: Harvard University Press, 1970).
- 43 Crowley argues that dependence is mutual because the employee is dependent on the enterprise for housing, kindergartens, vacations, and consumer goods while the enterprise is dependent on the worker due to labor shortages and a lack of labor mobility. Goods and services are used by management to lure and retain workers, in particular skilled workers. Stephen Crowley, *From Coal to Steel: The Formation of an Independent Workers' Movement in the Soviet Union, 1989–1991*, unpublished dissertation, University of Michigan, 1993.
- 44 Stephen Crowley, "Barriers to Collective Action: Steelworkers and Mutual Dependence in the Former Soviet Union," *World Politics*, 46 (July 1994) p. 594.
- 45 Boris Misnik, interview in *Delo*, 1 (October 1992) p. 4.
- 46 Lisa A. Baglione and Carol L. Clark, "New Trade Unions and Democratic Development in Russia," paper presented at AAASS, 1994, pp. 22–3.
- 47 *Kto est' chto* (Moscow, 1994) pp. 144–5.
- 48 *Ustav gorno-metallurgicheskogo profsoiuza Rossii*, December 4, 1994, mimeo.
- 49 *Kto est' chto*, p. 13.
- 50 *Ibid.*, p. 230.
- 51 *Ibid.*, p. 151.
- 52 *Ibid.*, p. 154.
- 53 *Ibid.*, p. 246.
- 54 Boris Misnik, interview in *Delo*, 1 (October 1992) p. 4.

Notes to Chapter 6: State–Society Relations in Post-Soviet Systems: Trade Unions in Ukraine

- 1 For a full discussion of the role of SIFs in this model, see Chapter 2.
- 2 *Rabochaya gazeta* (Kiev), June 24, 1992, p. 4.
- 3 Ibid.
- 4 Author interview with Ivan Zvinnik, vice-chair FPU Aviation Workers, April 12, 1995.
- 5 Ibid.
- 6 *Kodeks zakonov o trude Ukrainy*, article 244 (Kharkov, *Osnova*, 1993).
- 7 There have been accusations of “mishandling funds.” In the unsophisticated banking system, funds are often kept in one account, leading to allegations of impropriety. Rumors include the financing of new enterprises, banks, real estate, exchange rate speculation, self-enrichment, and embezzlement. The rumors are rampant and come from all over the political spectrum. However, no documentation or proof seems to be available.
- 8 Author interview with Aleksandr Sheikin, Chairman SOTSPROF Ukraine, April 17, 1995. The relationship between SOTSPROF and FPU was “unclear.” Other independent unions (especially NPGU) claimed all social funds were controlled by FPU but Sheikin acknowledges partial control. The IMF study in 1993 concluded that the SIF was “wholly controlled by the official trade unions.”
 In addition, Chornomaz and other independent unions were thrown out of the FPU building and told to find other office space. Sheikin’s group remains on the 7th floor of the FPU building. Sheikin told me there was “tension” between his union and FPU and that they were charged \$40 per square meter for rent, but also said that they did “not pay.” This leaves much room to contend that the “behind the scenes” relations between SOTSPROF and FPU could be very close.
- 9 *Ukraine: The Social Sectors during Transition*, vol. 1 (Washington, DC: The World Bank, 1993) p. 26.
- 10 *The Ukrainian Challenge: Reforming Labour Market and Social Policy*, ILO/CEET (Budapest: Central European University Press, 1995) pp. 273–5.
- 11 Author interview with Yuri Buzdugan, Chair of Rada Committee on Labor and Social Affairs, April 17, 1995.
- 12 *Golos Ukrainy*, September 15, 1993, p. 3.
- 13 Author interviews with Sergei Livnetsk and Nikolai Kravets, NPGU and Anatolii Chornomaz (railroad workers).
- 14 Russia also maintains automatic dues payment and registration in the OTU.
- 15 Rumors state that there is often physical and verbal intimidation used at these meetings but there is no substantiation and it seems to vary by the branch union. Some branch unions are easier to quit than others.
- 16 In 1995 and at an exchange rate of 150,000 karbovantsi to the American dollar.

- 17 According to a survey given to 15 randomly selected trade union members and leaders at the Antonov factory in Kiev on April 5, 1995.
- 18 *Ekonomika i Zhizn'*, 10 (March 1992) p. 11.
- 19 Matthew Sagers, "Review of the Iron and Steel Industry in the Former USSR in 1991," *Post-Soviet Geography*, 33: 5 p. 334.
- 20 Kravchuk speech on Radio Ukraine, BBC/SWB SU 1726/C2, June 23, 1993. The An-70, a large transport plane, is built primarily at the Samara Aircraft Plant with *Motor Sich* engines.
- 21 Author interviews with Nikolai Barguz, secretary of the Central Committee, FPU Metallurgists and Miners, and Vladimir Gornik, Central Committee, FPU Metallurgists and Miners, March 31, 1995 and April 10, 1995. On April 10, there were five additional metallurgy trade union officials in from Donetsk who concurred with the lack of profitability in their industry.
- 22 Ibid.
- 23 Most of the miners mentioned here mine gemstones, valuable metals, and minerals other than coal.
- 24 The survey was given to 15 randomly selected trade union members and leaders at the Antonov factory in Kiev on April 5, 1995.
- 25 The survey was given to 10 randomly selected trade union members and leaders at the Kiev passenger train station on April 19, 1995.
- 26 Author interview with Ivan Zvinnik, vice-chair FPU Aviation Workers, April 12, 1995. I have had numerous conversations with aviation personnel including L. M. Khominskii, retired pilot, and workers at Borispol airport, plus surveys of Antonov factory workers.
- 27 For more on such earnings, see Chapter 5.
- 28 This seems fairly institutionalized at these two airports. I spoke with 10 service workers at Borispol and another 8 at Sheremeteva, all of whom told the same story. Unfortunately, none wanted their names used for obvious reasons.
- 29 The FPU estimates the NPG has about 3000 members who work in metallurgical enterprises. For example, Vladimir Gornik, FPU Central Committee, told me his former enterprise employed 10,000 workers, of whom 500 were members of NPG the rest FPU-MM. Author interview, March 31, 1995.
- 30 Average wage in Ukraine was 2.4 million karbovantsi at 150,000 to the American dollar. An apartment in March 1995 cost between 800,000 and 1 million karbovantsi, bread 20–100,000 per loaf, cheese 450–800,000 per kilo.
- 31 They did not specify secret ballot. Instead I was told they voted (*golosovaniie*) and then they raised their hands in the air to demonstrate. Author interview, Nikolai Pavlovich Barguz, FPU-MM, Secretary Central Committee, and Vladimir Gornik, FPU Central Committee, March 31, 1995.
- 32 These men asked not to be identified beyond their titles. This was a very common request among Borispol workers.
- 33 Author interview with Mykola Zima, head, Research Department FPU, April 10, 1995.

- 34 Author interview with Ivan Zvinnik, vice-chair FPU Aviation Workers, April 12, 1995.
- 35 Ibid.
- 36 The survey was given to 15 randomly selected trade union members and leaders at the Antonov factory in Kiev on April 5, 1995.
- 37 Survey administered at the Antonov factory in Kiev on April 5, 1995.
- 38 Ibid.
- 39 This “system” was confirmed by a number of pilots as well as by my personal experience in flying in the FSU (it is not limited to Ukraine and is often the only means of getting a seat on certain popular routes!). With the exception of a retired pilot of 30 years’ experience, L. M. Khominskii, no one would allow their names to be used.

Notes to Chapter 7: Conclusion

- 1 Gorbachev’s reforms are discussed in detail in Chapter 3.
- 2 This logic is clearly elaborated in Chapters 2–6.
- 3 See Chapter 5 for a more detailed account.
- 4 The removal of SIF was not initially complete. See Chapter 5.
- 5 See Chapters 4–6 for more detail.
- 6 The Mining and Metallurgy Trade Union accounts for 2.2 million by itself.
- 7 An excellent account of enterprise-level trade unions can be found in Lisa Baglione and Carol Clark, *New Trade Unions and Post-Soviet Labor Relations*, unpublished paper delivered at AAASS, 1994; Lisa Baglione and Carol Clark, *Case Studies of Two Metallurgical Enterprises*, unpublished paper delivered at APSA, 1996.
- 8 The membership numbers are suspect for both countries. Most trade unions inflate their official counts and refuse to let outsiders see membership lists or substantiation of their counts. However, the comparative size of the free trade union movements in Russia and Ukraine can still tell us something about labor relations and state policies in those countries.

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