

The Politics of Labor Code Reform in Putin's Russia

Dmitri Glinski-Vassiliev
May 2001
PONARS Policy Memo 197
IMEMO

The corps of deputies, the government and trade unions have differing views of the labor code...I am counting on the parliament to speed up the process of finalizing and adopting the labor code on the basis of the government's draft. I said on the basis of it, on the basis.

Vladimir Putin, Annual Address to the Federal Assembly. April 2, 2001

The recent announcement of a merger between the pro-Kremlin Unity party and Yuri Luzhkov's Fatherland movement (arguably the foremost anti-Kremlin force in the 1999 Duma campaign) was viewed by knowledgeable observers in the context of the Putin administration's efforts to prevent an impending crisis in the Duma over the issue that starkly divided the two parties--reform of the labor code. During the last several months, labor legislation has emerged as one of the most controversial and divisive subjects at the top of the political agenda. The government, while enjoying a comfortable majority on most other issues in the generally docile Duma, barely escaped defeat on the labor code in December 2000, and has had every reason for concern about the forthcoming debate over this legislation this coming May or June. (It should be noted that the proclivity of NTV, in contrast to the government-owned stations, to give voice to politicians and labor activists opposing the government draft was an additional irritant, as the extra publicity only aggravated the Kremlin's difficulties and may have transformed the issue into a focal point of broad societal discontent with the government.)

The Context for Labor Reform

Labor reform is one of the Russian government's long-standing obligations to the international financial community. International financing for the drafting of the new labor code was obtained from the World Bank as early as October 1997, as part of the \$28.6 million Social Protection Implementation Loan. The government of Sergei Kiriyenko--in a July 16, 1998 joint memorandum with the Central Bank on the policies of economic and financial stabilization based on the International Monetary Fund (IMF) conditionalities--committed itself (and its successors) to ensuring passage of the new code through the parliament. In particular, the authors of the memorandum demanded "a

more simplified procedure for dissolving individual labor agreements (such as excluding the need for the consent of trade unions)."

Bound by these obligations, Yevgeny Primakov's cabinet in February 1999 submitted the IMF-inspired draft of the new code to the Duma, but was lukewarm in lobbying for it. The leadership of the revamped Soviet-era labor unions--the Federation of Independent Unions of Russia (FNPR), and its recently established political wing, the Union of Labor--enlisted themselves in active support of the Luzhkov-Primakov electoral alliance, Fatherland-All Russia (OVR), with the hope of transforming it from an assembly of regional nomenklatura bosses into a Western-style social democratic party. Some of the FNPR activists and ideologues were elected to the Duma via the OVR slate. Then they initiated their own alternative draft of the labor code (the "Project of Eight," taking its name from the number of its original sponsors), which was submitted to the Duma in May 2000. In essence, it was an attempt to preserve some of the basic guarantees and privileges of both union officials and workers that exist in the present labor code, which dates back to 1971.

At the time of this writing, there are five alternative drafts officially under consideration (including one originating from Yabloko, one hardline version of the government project supported by Unity and Zhirinovsky's Liberal Democratic Party, and one radical, labor-empowering draft sponsored by an alternative post-Communist union, Zashchita Truda). Some government critics also object to the FNPR's "Project of Eight," which they see as skewed toward the interests of the unions rather than the interests of the labor force. However, taking into account the actual balance of power in the Duma, the real struggle has been going on between those who have lined up behind the government-sponsored draft and the supporters of the FNPR's "Project of Eight." In the course of last fall's parliamentary hearings, the latter camp included both OVR and the Communist Party with their Duma allies, the Agro-Industrial group and Regions of Russia, and could further rely upon individual supporters from Yabloko and even the Union of Right-Wing Forces, thus potentially depriving the government of the required majority. This situation compelled the government to postpone the debate until this spring and refer the issue to a multilateral negotiating commission consisting of representatives of government, employers, and unions, as well as different Duma factions.

How the Government and FNPR Drafts Differ

There have been two clusters of basic disagreement between the government and FNPR drafts: differences over the rights of workers, and differences over the rights of unions. The following is a list of the most important points of contention regarding rights of workers:

- The length of the working day. The government-sponsored draft discards the existing standard (which predates the Bolshevik revolution) of a 40-hour work week and allows instead for the working day to be "voluntarily" extended up to four more hours, with up to 16 hours of overtime work weekly (overtime work is

- to be paid at the regular hourly rate). Unions object, saying anyone can be compelled by poverty to extend his working day "voluntarily;"
- The government draft encourages the broader use of limited-term contracts between companies and employees at companies' discretion--unions object to this;
 - Maternity leave. The government draft cuts down the duration of benefits associated with maternity leave from 3 to 1 1/2 years;
 - Education leave. The provisions of the government draft retain the option for students to receive paid leave for examination periods--but only if their study is in the same field as their present employment. Opponents say this modification will block social mobility and restrict access to education for the lower classes.

As regards the rights of unions, their curtailment in the government draft primarily boils down to abrogating unions' right to intervene in both the firing process and in making decisions on the composition of company management. But given that the opposition in the Duma is represented by union officials rather than by workers, it was predictable that the disagreements over union rights would prove much more contentious than those over workers' rights--especially at the latest stage of the negotiating commission's work. Union officials obviously fear that reducing their role to mere consultations with management, coupled with divesting enterprises of their social infrastructure and responsibilities, will deprive union membership of practical meaning.

There is merit to these concerns, since--given the destruction of the collectivist ethic in Russia's pulverized society and the cannibalistic forms of exploitation that currently prevail--the unions' legal rights to block certain management decisions have remained their major source of relevance. Whatever the advantages of the government-sponsored legislation might be from the point of view of international financial institutions and investors, the elimination of the unions' decision-making role in the enterprises would mean another blow to Russia's severely crippled civil society (hence the increasing support for the unions' demands on the part of some legislators that have a clear record as market reformers on other issues). Characteristically, the government's anti-union stance has not been supported by the corporate representatives in the negotiating commission. Some of the business executives, while being more insistent than the government as regards restrictions on labor rights and benefits, have been more forthcoming on compromises over the legal authority of the unions.

The effort on behalf of the unions is led not just by the Soviet-era nomenklatura officials who have long been detached from the labor force, but also by some of the founders and veterans of Russia's democratic movement of the 1980s, such as Duma Deputy Andrei Isaev. In the run-up to the December hearings, the unions--both FNPR and Zashchita Truda--mounted a nationwide campaign in support of their respective drafts of legislation. The union of defense industry workers, in particular, called for Labor Minister Alexander Pochinok to resign.

The Putin Administration's Role

In this situation, the Ministry of Labor has shown some willingness to compromise on key issues. But this was recently offset by the apparently hardening stance of the Kremlin. President Putin's emphasis in his parliamentary address on the urgent need to adopt the labor code on the basis of the government draft is a case in point. As reflected in the official record (see the quotation that begins this paper), this was the only instance in which the president's speech was interrupted by a clamor of disagreement from the Duma benches.

It was allegedly at this point that the decision was made within the administration to put more pressure on Yuri Luzhkov to persuade him to merge his party with Unity. That one of the purposes of this unification was to speed up the adoption of the labor code was publicly acknowledged by Unity officials. In this way, the unions' most vocal advocates are supposed to be silenced or forced to exit from Fatherland, a move that is likely to marginalize--and radicalize--them even further. It remains to be seen in the coming weeks whether this strategy will bring success to the Kremlin and the government in their effort to dismantle the remains of the 80-year-old legislation protecting labor interests.

© PONARS 2001