

### Factory Unions Facing Asset- Strippers in Post-Communist Romania and Ukraine: An Overview of Strategies

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**Factory Unions Facing Asset-Strippers in Post-Communist Romania and Ukraine:  
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*Abstract*

*The paper supplements the literature on post-communist organized labor with a systematic comparison of union strategies towards employers at the plant level, in the metal sector throughout the 2000s (in Romania and Ukraine). It shows how unions can bring employers to the negotiation table, and highlights strategic elements that allow unions to act in support of their members even when facing the biggest difficulties, brought by collapsing economic sectors and dwindling employer interest in production. The paper's novel contribution lies in uncovering how trade unions cast their strategies in terms of constituting disruption to force their opponents to accept at least parts of their demands.*

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## 1. Introduction

Scholars of Eastern European transformations have long struggled to understand why there was so little public revolt against the dramatic worsening of the population's living standards after the fall of communism (Greskovits 1998, Mandel 2001, Vanhuyse 2007). Confronted with an unprecedented economic crisis, Eastern Europeans did little to slow down or overturn the market reforms that cost millions of jobs despite their – at least in theory, due to the introduction of democracy - increasing capacity to influence such reforms (Offe 1991, Elster 1993). The puzzle is more evident when looking at industrial workers, highly unionized at the beginning of transformation, and with varying experience in using collective action to support their demands (Solidarity in Poland, or the strike waves in Russia and Ukraine in the Soviet Union's last years of existence, see Crowley 1995). Yet market reforms took place in a context of little worker opposition. At the end of the transformation's first decade, scholars began speaking of 'labor weakness' as the dominant feature of capital-labor and state-labor relations in the region. Some authors portray unions in Eastern Europe as weak without exception (Crowley 2004, Crowley/Ost 2001, Kubicek 2004), others argue for a definition of labor weakness that allows variation (Meardi 2007) and discover exceptions from the labor weakness finding (Stanojevic 2003, Grdesic 2008 for post-Yugoslav countries) and significant differences in labor weakness between post-Soviet countries (Borisov/Clarke 2006).

This paper follows the latter approach, of arguing that there is variation in the labor weakness outcome, and that studying such variation can help us understand when and how workers effectively defend their interests when their trade unions are largely isolated from political influence and are located in plants that are subject to thorough mass lay-offs. This paper explores differences between those few "successful" cases and the majority of "unsuccessful" cases in terms of workers' (and union's) strategies. I focus the study behind the paper on the phenomenon of asset-stripping – employers making profits not out of developing production, but out of selling a factory's existing assets. The paper's main research question is: What strategies can succeed in protecting the rights and living standards of workers from asset-

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strippers, given the difficulties brought about by post-communist transformation? This is an important question, because in countries marred by asset-stripping, answering it can give insights about the situation of labor unions and extent to which they can survive in economic sectors characterized by disinvestment. The question is relevant also outside of the post-communist countries, if one thinks of the huge challenge that out-sourcing and 'lean' forms of production raise to Western trade unions (Crouch 2004). I answer the paper's main question by means of an exploratory study undertaken in order to identify several building blocks of trade union strategy and their operation.

The paper proceeds as follows. The next section groups together what we know so far about the situation of organized labor in Eastern Europe. It presents the literature in a novel way, by grouping previous findings as mainly three issues - the difficulty of labor in post-communist countries to mobilize workers, pose threats to employers, and break out of isolation. The section also introduces a framework for studying trade union strategy in post-communist countries. Section three presents the data used in this paper, ethnographic case studies of plant-level unions in Ukraine and Romania. These are exceptional plant-level organizations that defy the overall situation of labor in their countries: these unions were capable to act against employers and win various concessions. Section four concludes.

## **2. Conceptualizing Trade Union Strategy**

This section's purpose is, first, to present the most relevant findings in the literature on organized labor in Eastern Europe. Building on this literature, the paper theorizes how trade unions can successfully further the interests of workers under post-communism. The literature of post-communist labor has come up with a long list of explanations for the "labor weakness" claim. I group these explanations under the heading of difficulties for organized labor, boiling down to the following three relatively undisputed aspects in the literature: a) a difficulty for unions to mobilize workers; b) a difficulty for organized workers to pose threats to private owners; c) a difficulty for unions to break out of political isolation. I will discuss these three aspects in turn.

*The Difficulty Mobilizing*

It is generally accepted that a more militant workforce would give unions more power. So why do unions not mobilize workers? Most of the literature of Eastern European labor has focused on the issue of the problematic relationship between trade unions and their constituency, the workers. The difficulty mobilizing is partly due to the low responsiveness of unions to workers: first, unions can survive as an organization without relying on mobilization. In the post-Soviet context, this happens as the state and managers tolerated the once communist trade unions, allowing them to continue to distribute social benefits, acting more like HR (human resources) departments than representing workers in conflicts with the employer (Clarke/ Ashwin 2003). Authorities also tolerated that management stays part of the trade union: in countries such as Russia and Ukraine, managers and foremen enjoy the status of union members together with the workers whom they supervise during the production process. In other countries – most notably in Central Eastern Europe (CEE) – unions survived without mobilizing as they inherited from communism large numbers of members. It is expected and partly confirmed that as these numbers dwindle, the unions will increasingly try to mobilize workers against employers (Ost 2009).

Second, the difficulty mobilizing is partly due to the situation in which many workers find themselves. During transformation, workers were in an extremely weak bargaining position, brought about by the economies' restructuring and the huge shock of economies shifting from labor shortage to labor surplus (Crowley/Ost 2001; Ashwin/Clarke 2003). In CEE countries, early retirement schemes, social transfers, and a growing informal economy offered workers individual exit-options (Greskovits 1998, Boeri 2000, Vanhuysse 2007, Varga 2010), rather than participation in collective protests under union leadership. Further aggravating the unions' positions are the often recurring economic crises, such as the transformation recession, the 1998 echoes of the Asian financial crises in several Eastern European countries (most notably in Russia), or the finance-induced crisis that started in 2008. As Streeck (1984) writes: "Under crisis conditions the rule of the market asserts itself not just over the behaviour of firms but also over workers' definitions of the interests – with their interests in

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the economic survival of ‘their’ employer becoming so intense that they escape union control” (Streeck, 1984: 297).<sup>1</sup>

### *The Difficulty Posing Threats to Employers*

The economic changes of the 1990s did not affect only workers; they had a crucial impact also on unions and their strategies towards employers, by leading to a difficulty posing threats to the new, private owners. It was the privatization dimension of reform that spelled most difficulties to union strategies. During communism workers and unions were in a situation where they knew one certain thing about management: its main goal was to meet the production plan. In the new, private economy, however, labor could no longer be certain about management’s (or the owner’s) commitment to production. Rising prices of assets and low availability of investments meant that owners and their managers might earn more and faster from selling the plant’s real estate and equipment than from reorganizing production with little capital in uncertain markets (where potential clients would face similar limitations). Labor can no longer take for granted that it faces an employer interested in production, and labor’s most effective strategy, withholding productivity, can often prove to be inconclusive when facing the private employer. Arguably the most (in)famous and easy-to-observe unintended consequence of privatization in Eastern Europe was that many new private employers turned in fact to be interested in asset-stripping more than in production, as reformers pushed through privatization in disregard of the region’s weak institutions (Hoff/Stiglitz 2003, Campos/Giovannoni 2003). Scholars usually attribute asset-stripping to lacking enforcement institutions (Hoff/Stiglitz 2003), to insider privatization where former directors lacked the funds to launch production and therefore preferred to earn quick profits by selling assets (Brown/Earle 2004), or to the emergence of a coalition of managers and politicians ex ante interested in assets (Campos/Giovannoni 2003)<sup>2</sup>.

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<sup>1</sup> This argument should be nuanced to include many intervening variables such as the framing by union leaders and workers of the reasons why crises occur, or the actual materializations of crises (as seen in the empirical part of this paper, some crises have the effect of mobilizing workers against employers).

<sup>2</sup> Campos and Giovannoni (2003) empirically measure asset-stripping in several countries, finding its highest values in Ukraine, followed by Russia, Romania, Slovakia and Poland.



A further complication for strategy is the lack of reliability of and long time taken by legal actions; taking the employer to court is most often an inconclusive strategy. There is a remarkable consensus in the literature that, in the post-communist context, it comes at the cost not only of delaying workers justice (if there is any in the end), but also of fragmenting collective interests (Mandel 2001, Ashwin/Clarke 2002, Clarke 2005, Crowley/Ost 2001).

### *The Difficulty Breaking Out of Isolation*

Most often in Eastern Europe labor has returned to the plant level as the key locus of trade union decision-making, strategy planning, and power. In other words, further aggravating labor's capacity to respond to employers is a tendency towards isolation at the plant level and a difficulty breaking out of that isolation. Kubicek (1999) shows in a discussion of post-Soviet countries (Russia and Ukraine) that in reaction to communist-era centralism and top-down decision-making in unions, workers and union leaders prefer a highly decentralized model of bargaining with employers, where only plant-level collective agreements have a binding character. Furthermore, plant-level unions are the ones that control most of organized labor's resources by keeping the biggest part of membership fees (in Ukraine and Romania around 70%) and refusing to redirect them into central all-branch strike funds. The Eastern European unions' new-found enthusiasm for plant-level prominence over other levels of collective bargaining bears many pitfalls for unions: Kubicek warns that plant-level bargaining enables management to deepen workforce divisions and weakens the capacity to find allies among organizations (such as most importantly all other unions) outside the plant.

Ost (2005) and Myant/Smith (1999) report similar drives towards de-centralization in Poland and the Czech Republic. In both countries, at least at the end of the 1990s, the support for central organizations (national-level trade union federations) was minimal; only about 2-5% of membership fee funds would go to the centre, figures very similar to the situation I found during fieldwork in Ukraine or in Romania. Most funds (between 60-70% of dues) stay at the plant-level and go into social benefit funds. Efforts to set up strike funds remain minimal. *Solidarity* is one of the few national unions directing any dues to a strike fund (some 5%),

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while the money that remains at the plant-level is all spent on other items.<sup>3</sup> But, despite the choices of national union leaders, to some extent the rejection of “centralism” had strong support from below:

The inability to develop an independent labor programme was a legacy of the “Communist” past, which had discredited not so much socialist values – workers remained attached to its ideals of democracy, equality, and social justice – but the institutional arrangements necessary to realize them. After sixty years of bureaucratic “socialism”, workers had a hard time believing that central planning of any kind could be democratic and efficient. This allergy to centralism played into the hands of the liberal forces, who presented the market as freedom. (Mandel 2001:4)

#### *Summary and scope of the paper*

Taken together, these difficulties lead one to ask why there still is organized labor in post-communist countries at all (see also Pizzorno 1978 for a similar question in the Western European context). I argue that one answer is that there exist different strategic games between plants where effective labor representation was possible and the plants where unions failed to defend workers interests (given similar contextual difficulties). If in a country there are plant-level unions facing similar difficulties but managing to different extents to effectively protect workers, this might indicate that such differences could be the outcome of the unions’ different strategies. In this paper, strategy is believed to mitigate the impact of post-communist unions’ difficulties mobilizing, threatening, and breaking out of isolation.<sup>4</sup> A strategy is a “succession of intertemporal decisions in which present action is evaluated in

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<sup>3</sup> The decentralized nature of the union movement is supported also by economic developments linked to transformation and globalization: the shrinking of companies and the break-up of large enterprises affect union solidarity and make plant-level agreements the best that unions can hope for (Kubicek 1999:96). Nevertheless the unions cornered themselves in into their present situation, by cutting down the support for national- and branch-level organizations.

<sup>4</sup> The focus of the paper is on strategies and less on “strategic capacity”, i.e. on the question how and why some unions are able to develop certain strategies while others are not (Ganz 2001); the reason why this paper mainly focuses on strategies is that such work has not been previously carried out in Eastern Europe; before moving to issues of strategic capacity, one should have a clearer picture of what the building blocks of strategies are. Also, importing the findings on strategies of Western unions (and especially US unions that are more relevant since their struggle is similarly decentralized as in Eastern Europe) is not an option, given the more important resources - including their higher acceptance - that Western unions can still count on in their societies.

terms of its consequences for future goals” (Pizzorno 1978). In conceptualizing strategy in terms of strategic elements the paper follows the three aspects of difficulties faced by organized labor. I uncovered these elements inductively through fieldwork studies of the cases introduced further in this paper, and enriched them with findings in the social movements literature, discussed below.

Figure 1: Difficulties for organized labor and corresponding strategic elements

Difficulty for organized labor	Mobilizing	Posing threats	Breaking out of isolation
Strategic dimension	Situational definition	Constituting disruption	Outside support

*Strategy*

a) The first strategic element builds on an application of social movement theory to the field of Industrial Relations (Kelly 1998). Mobilization theory – as the application is called – tackles some key topics that the discipline of Industrial Relations and this paper share: “interest definition”, “formation of collectivism” (collective action), “the acquisition of power resources” (Kelly 1998). Trade unions need a strategic element that this paper refers to as the *definition of the situation*, enabling unions to act autonomously of management; this definition should allow the union to see its interests as different from those of management. This does not mean that such a definition of the situation necessarily relies on some perceived fundamental difference of interests due to class positions. In many of the case studies presented in this paper, while ignoring many cases of worker rights violations and assisting management in disciplining workers, unions acted only when they believed management to be harming the plant. There also needs to be some agreement between at least parts of the workforce and the union leaders over this definition of the situation. The less agreement there is between leaders and workers (or among leaders) over this issue, the less the union can rely on mobilizing a united collective (see also Hyman 1994:133).

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This is not to say that mobilization depends exclusively on whether or how people end up believing that they have a common interest. Social movement theory repeatedly makes the point that mobilization (participation in forms of collective action) requires more than just a notion of shared interests (Tilly 1978:56) or the awareness of a perceived injustice; social identification, social attribution, cost-benefit-calculations and beliefs about personal efficacy are other factors that share the burden of explaining mobilization (McAdam 1998). Therefore, the definition of the situation that a group is in should tackle these varied factors influencing workers' participation in forms of collective action. As we will see in the empirical part, certain situations - that plants in post-communist countries end up in - influence several of these factors; for example, situations of wage arrears coupled with beliefs that private owners are uninterested in production end up influencing cost-benefit calculations and uniting union bureaucracies, foremen and workers in the defense of their jobs.<sup>5</sup>

Even where unions can reach their goals without mobilizing workers (for instance by taking employers to court), as an instance of organization of attention, the definition by the union leaders or by the workers of the plant's situation is a central process out of which decisions arise (Powell/DiMaggio 1991:19 and March/Simon 1993 [1958]). This is particularly important in Eastern Europe: post-communist unions face the difficulty to mobilize workers also because they act in a context where extracting rents from management to offer workers social benefits is a less costly and less risky strategy (ensuring the union bureaucracy's survival) than one relying on confrontation and threats to management.

b) *Constituting disruption*. Even if a trade union relies on a mobilized constituency of workers, this does not mean that employers will automatically yield to the workers' or union's demands. In the literature on social movements, Piven and Cloward have argued in *Poor People's Movements* (1979) that a group's capacity to disrupt is crucial for understanding why some movements fail while others succeed in their struggles against states and employers. We have seen in the previous section that unions have difficulty posing threats to employers, and especially posing threats that rely on disrupting production. Can labor find something

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<sup>5</sup> Social movement theory uses the concept of framing to show how social movements override mobilization problems, arguing that understandings are shared when they are framed in ways that resonate with the cultural backgrounds or beliefs of larger groups of potential supporters (Benford/Snow 2000).

else than production to disrupt? We will see that in all case studies below unions faced employers at times when the latter had brought production at the plant to a standstill - therefore making any disruption of production (such as a strike) – ineffective. Instead of threatening production, unions took protests – and disruption – out of the plant to pressure authorities to intervene, or occupied plant assets to stop management from selling them. The quest for sources of disruption is not a quantitative one of simply increasing the amount of disruption to produce the desired results. Quite to the contrary, a union that only seeks to increase disruption – instead of re-thinking it in qualitative aspects, thinking at whom to address it, what types of disruption to use – loses out particularly if it faces the state. As Pizzorno (1978) writes, relying on vast security apparatuses, states can always outperform unions in the amount of disruption they inflict upon opponents.

c) *Organizing support outside the plant.* Labor mobilization can hardly survive in isolation; it has to involve the support of actors outside the plant that can pressure the trade union's opponent to accept workers' demands. Alternatively, if the trade union chooses to protest against the employer, it needs the support of actors that can ensure visibility of the protests and that also support protesting unions with various resources.

"Support" can range from the personal connections of trade union leaders to the formal affiliation of trade unions to one or the other labor federation. It might be based on formal contracts or on informal agreements, for instance about exchanging votes for political support. There are also different possible motivations for external actors to support a union, ranging from ideological to material. For instance, supporting actors can help the union because they share and uphold some common identity (the most typical example is where they share the same political identity, such as in the case of alliances between Communist politicians and trade unions, or the same regional identity, leading to alliances against an employer coming from a different region or country). Political (votes) or economic interest (return of debts) can also motivate politicians or even companies to support labor.

By "effective" or "successful" unions I understand those unions that not only impose their demands in isolated episodes of conflict with management, but also find ways to resist management's backlash and maintain the union organization's independence of

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management. An effective union is one imposing its demands and one that is also there for the future. In many cases of unions studied especially in Ukraine, unions could achieve, for instance, that managers return wage arrears or sign collective agreements, or even force the sacking of managers; however, following these initial tactical successes, unions could not resist management pressure to take control over the union (what I call the management 'backlash'). Management fires union activists or interferes in elections to remove unwanted union leaders, thus taking the union organization under its control.

### **3. The cases**

This section of the paper presents and compares four case studies of trade unions in Romania and Ukraine. All four cases present factories in the metal sectors, where trade unions face private employers intending to asset-strip their plants. At the time that conflict irrupted between unions and employers, the employers' intentions had already translated into two types of actions: the interruption of wage payments and the near full lay-off of the workforce. The country selection is intended to find cases of unions facing asset-strippers in a country with an active labor movement (Romania), and a country without one (Ukraine), to see how the isolation of factory unions impacts on union strategy.

Ukraine is a country that is a typical case for the relation between post-communist political economy and labor weakness: it features all transformation-specific factors -such as partial market reform and the accompanying transformation recession- that overburdened Eastern European workers and unions (Mandel 1998, 2004, Kubicek 2004) and the labor-weakness outcome, such as declining union membership and low strike rate, coupled with low influence over labor-relevant legislation (Crowley 1995, Kubicek 2004, Pankow/Kopatko 2001, Varga 2010). One can expect the unions in this country to have the hardest time in defending their members' interests, as Ukrainian unions face the burden of all three difficulties (mobilizing members, constituting disruption, and breaking out of isolation) mentioned above. Romania, while heavily affected by the transformation recession and undergoing all stages of market reforms, has seen a much more active labor movement than

in other post-communist countries, using industrial action to co-shape market reforms in crucial areas such as price liberalization, privatization and labor-regulating laws such as labor codes (Crowley 2004, Pasti 2006, Trif 2008). What strategies do Romanian factory trade unions against asset-strippers, given that, at least in principle, they are less isolated than Ukrainian unions?

The unions in both countries have been selected from a sector that has been at the center of economic reform: the metal sector. This sector has been previously left largely unstudied, at least in Romania and Ukraine, where the few studies of working class mobilization have focused on the mining sector (Vasi 2004, Borisov 1999, Pan'kov/Ivashchenko 2006; the only English-language study of worker mobilization in the Ukrainian metal sector can be found in Mandel 2004, also using case study methods). The plant level unions were selected from national organizations in steel (Romania) and machine-building (Ukraine). The reason for selecting this sector and the two specific sectors is that it has undergone tremendous turmoil during transition and never truly recovered: the metal sector (steel in Romania and machine-constructing in Ukraine) went during post-communist through a 75-80% drop in the total labor force (FES 2006; Simonchuk 2005: 17). Such economic developments should pose significant challenges to trade unions being successful in defending worker rights and living standards. The case studies rely on data collected via standard ethnographic methods in 2007-2009: participant observation, archival research, and interviews with roughly 100 workers, union leaders, management representatives or managers, local politicians. Out of this sample corresponding to 11 fieldwork sites, I selected four of them for this paper.

The table below gives an overview of all four cases in terms of: time-frame of each case, economic sector for each plant and union affiliation of plant-level unions; the outcome of each conflict, i.e. what did the union achieve in terms of protecting worker rights and interests; what strategic elements did trade unions use, and to what extent; what factors did I control for by means of case selection as to avoid that factors other than strategy directly affected the outcome (i.e. how did I make sure that in all cases of conflict unions faced the same structural difficulties).

First, in terms of what this paper aims to explain, I kept constant the issue over which unions

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and management clash: during all four conflicts, in both countries, the issue over which workers and unions protested were wage arrears (unpaid wages) and management attempts to close the plants and lay-off most of the workforce (plant closure). Second, I included a column clarifying what happened in the conflict's aftermath, as to show that in most cases, the conflict under study was not the end of the story. Third, I included an overview of the extent to which the unions faced the kind of difficulties described in the previous section. All unions had to overcome internal dissensions; all unions faced asset-strippers, therefore had to find targets of disruption other than strikes; and finally, the Ukrainian unions were far more isolated than the other ones, with the Romanian unions receiving support from national level labor organizations (mostly in the form of assistance in negotiations and obtaining negotiations at top governmental levels in Bucharest).

The case studies in this section explore the workings of the three strategic elements introduced above. The first two case studies are Romanian steel plants sold to foreign (US and Italian) capital by the turn of the century. Only months after privatization, the new owners failed to make investments and pay wages as stipulated in the privatization agreements. The unions at both plants launched a series of actions centered on the demand of these plants' re-privatization. After a three year struggle, only one union succeeded. The comparison between the two is extremely interesting, as conflicts took place roughly at the same time (2000-2003), the unions were assisted by the same national union (Cartel Alfa) team and confronted the same social-democratic government over the issue of re-privatization. The comparison shows that by failing to constitute disruption outside the plant, the union at Plant B undermined its chances for success.



Table 1: Four Struggles against Wage Arrears and Plant Closures in Romania and Ukraine

<i>Plant Name and conflict time-frame</i>	<i>Sector</i>	<i>Union affiliation</i>	<i>Outcome of conflict</i>	<i>Conflict aftermath</i>	<i>Workforce size before and after struggle</i>	<i>Structural Difficulties/Strategy</i>		
						<b>Mobilization</b>	<b>Disruption</b>	<b>Breaking out of isolation</b>
<i>Plant A (Romania); 1999-2003</i>	Metal (steel)	Cartel Alfa (Metarom)	Wage arrears returned; closure stopped	State re-privatized the plant	4,800/1,700 Layoffs with benefits	Union overcomes dissension between leaders	Create visibility via hunger strikes	Support from Cartel Alfa
<i>Plant B (Romania); 1999-2003</i>	Metal (steel)	Cartel Alfa (Metarom)	Wage arrears not returned	State closes plant down to pay back creditors	2,300/600 Layoffs with no benefits	Dissension between leaders and members	Initially aimed at state (road blocks); does not take conflict out of plant	Support from Cartel Alfa
<i>Plant C (Ukraine); 2008-2009</i>	Metal (farm-machines)	ASMU-FPU	Arrears returned, no plant closure	Managers fire radical workers, layoffs	1,143/200 Layoffs with no benefits	Union overcomes dissension between leaders and members	Disrupt property relations via occupation	ASMU ignores union
<i>Plant D (Ukraine); 2007-2008</i>	Metal (farm-machines)	ASMU-FPU	Arrears returned; manager arrested	Managers fire radical workers, layoffs	1,400/200 Layoffs with no benefits	Dissension between leaders and members	Create visibility via public demonstrations	Support from FPU local

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### *Plant A - Constituting Disruption against Asset-Strippers by Mobilizing Wider Community Support via Hunger Strikes*

Three out of four unions presented in this section had to overcome significant internal opposition to reach a shared definition of the situation, and plant A is no exception. What is exceptional is how the union constituted disruption, by organizing public hunger strikes to put the government under pressure and increase support among town inhabitants.

Plant A is located in a small mountainous town in Romania's West. It was privatized in June 2000 to an American company, NV. Already in 2000 owner NV failed to invest money at the plant and re-launch production. Production went on by consuming existing stocks; union leaders soon started accusing the owners that instead of paying suppliers and workers they took out of the plant the funds owners got from selling production. Protests started in January 2001 in response to the owners stopping to pay wages. Protests soon escalated into a conflict where the union virtually took over the plant to prevent the employer from further selling existing stocks or equipment. Unions changed their demands from asking investment to be made and (since May 2001) wages to be paid, to pressuring the government to cancel the privation contract and grant workers financial aid (as they were not getting any wages at all). The conflict that started with the union-NV stand-off soon became a confrontation between the union and the government, with the former organizing various disruptive actions – from road blocks to attacks on the ruling party's offices – to convince the government to extend financial help to the starving workers. After two more years of conflict, the government cancelled the privatization contract. NV sued the Romanian government at the World Bank's ICSID court in Washington and lost the case in 2005.

The first challenge for the union was to come up with a shared definition of the situation. When plant A encountered its first problems in finding money to pay workers their money, there was intense conflict in the union whether the union should start protests or give employers more time. At the heart of the disagreement were two

different conceptions about the employer: the current trade union leader claimed as early as 2000 that NV is interested in assets, not in production; the former leader, supported by many people in town (including the Cartel officers) and by the authorities, argued that employers need time to start production, and that they are truly interested in it. He tried setting up a parallel union to show more support for NV. This conflict was solved only by expelling the former union leader from the organization. The union then publicized its own version of the facts, stating that NV are asset-strippers. After this date the union could mobilize thousands of workers, and co-ordinate them to organize demonstrations and road blocks. Asset-stripping accusations were initially met with skepticism by local Cartel Alfa officers, but the growing “evidence” - mainly, the offensive attitude of management- broadened the support for the union.<sup>6</sup>

The way the union understood to organize disruption is especially relevant. The disruption had to get the government to negotiate with the union a solution to the two main problems (providing workers with some sort of aid to replace unpaid wages and canceling the privatization contract). To a large extent, the disruption relied on road blocks; these were crucial in getting the government at least to negotiate. Road blocks worked out well at least in getting a response from authorities. However, the government did not give in to union demands following road blocks. Quite to the contrary, riot police could clear worker demonstrations whenever it wanted (although with the use of force).

Constituting disruption could not, therefore, rely exclusively on road blocks. Instead, union leaders relied on creating visibility around their actions; their actions aimed to mobilize the public on the union’s side and against the government. This is where

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<sup>6</sup> The local Cartel officer, himself a former plant A engineer, says he welcomed privatization to NV and was skeptical about the union’s sudden militancy and lack of understanding for the employer in January 2001; but when “the investor borrowed money from the union to pay workers their wages, we understood their intentions”, tells the Cartel officer. The conflict-oriented wing of the union (led by the union leader) based its claim that the owner was an asset-stripper on the lacking investment, plummeting production, failure to pay wages etc. The conflict-oriented wing also claimed that the NV boss had arrived in town two years prior to the privatization as an expert of the State Property Fund; his mission was to find an investor for the steel plant. 5-6 months before privatization, the State Property Fund allegedly ordered the steel plant not to purchase any raw materials or to sell any production without the „expert’s” permission (see union *Vatra*, *Scrisoare deschisă adresată Parlamentului României* [Open letter to the Romanian Parliament], March 2, 2002).

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hunger strikes played their role: they were not aimed at somehow influencing government or employer, but at shocking the public, raise its interest for the union's cause and raise the credibility of the union's version of the situation. The government could not use the police to stop such protests that also hurt its popularity. For instance, the main hunger strike organized in town lasted for sixty days in 2002 and involved at its peak moment 450 workers, out of which some 100 were women. The hunger strike was declared in the governor's office, and carried out in a place of maximum visibility in the town center; it soon reached national and Western media, risking affecting the government's image.

The case of the next plant shows how different approaches to constituting disruption can lead to different outcomes. In this case, the union leaders' reluctance to make use of the mobilized workforce as a source of disruption led to a fall in mobilization and the defeat of the union.

### *Plant B – Failing to Constitute Disruption by not Taking the Conflict with Asset-Strippers out of the Plant*

After being privatized to an Italian company in 1998, steel plant B got into serious trouble in 1999 as it could not pay suppliers and workers anymore; also owners made only little of the promised investment. The conflict between union and owners broke out with the union asking for payment of wage arrears and the cancellation of the privatization agreement. The conflict escalated when workers beat owners up and chased them away. Same as in the case of plant A, the union's real opponent turned out to be the government. The unions at plants A and B had similar strategies until the moment they asked for state intervention. It was the same mix of plant occupations to keep asset-stripping owners away and street pressure for state aid. Unions A and B also coordinated their actions, with only 70 km between their two towns. In both cases, the state offered the unions to help workers by temporarily sending them into unemployment until the state would have the right to cancel the privatization

agreement. Government argued that in unemployment, workers would at least have a permanent source of income (unemployment benefit). Union A refused, union B refused too but a majority of its workers took the offer (1,700 did, 600 refused). What happened was that the offer of the government turned out not to be temporary. After one year the government refused to hire the workers back. It declared the plant bankrupt and sold assets to local business. Only one shop survived, were some 400 non-unionized employees still work today. The question is why the two unions responded differently to the unemployment-offer. Better put, in what situations were the two unions when making the choice over accepting the government's unemployment offer?

Union B leaders explain that people were "not as desperate" as at plant A. Leaders argue that workers at plant B did not participate as massively in protests as the ones at A because of their rural background – they could go back to their land plots and make a living while workers at plant A could not do so. But data on worker participation from the two plants in the same road blocks (the unions would organize them together until January 2003) shows the same or even higher participation of plant B workers than the plant A ones. In his book, one of the leaders making the not-as-desperate claim wrote in 2005 about the situation of plant B workers in 2002:

"Three of the [43 hunger-] strike participants ended up in hospital [...] One worker tries to commit suicide threatening to jump off the company's headquarters. The people's despair knows no limits. They do not find any more solutions to provide their families with food. They eat only water, bread, and boiled potatoes." (Apostol/Cotarcea 2005: 278)

In August 2003, a majority of the workers took the government's offer and went into unemployment, thus leaving the union without disruption sources and giving up their control over the plant. According to union leaders, they did so out of acute financial distress, because the state offered them less state aid as in the case of plant A. Why was this so? Union B leaders were less determined to go as far as the ones of union A did, and also tried to dissuade their members from going as far. As evidence for this point

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serves the drop in union B protests after the plant A crisis was solved in January 2003: there were no more road blocks after the government gave in to the demands of the plant A workers. However, there still was unrest at plant B, where workers continued protesting and took over the plant to block the attempts of management to allegedly asset-strip it.<sup>7</sup> But *the union was not taking these protests out of the plant anymore* and – as a result – had little left to threaten with, and could also obtain little. In March 2003, workers were exhausted after a conflict that had lasted since 1999. 1,700 of them took the unemployment offer, despite the union’s advice not to do so.

The difference to union A lay in the way union B understood to calibrate disruption to the actor it had targeted. For instance, union A leaders believed the decision over the plant’s privatization contract to be in the state’s hands. Consequently, they addressed disruption to this actor and also calibrated it to the state, by switching from threatening with strikes and factory occupations to hunger strikes (and carrying them out). In contrast, union B leaders did not engage in the same efforts of calibrating disruption. They, too, believed the state to be the answer to their problems. But they did not target this actor, although they could have, given the protest propensity among workers at plant B. Instead, they limited their efforts to controlling and disrupting state actions at the plant, to the extent they believed the state to be engaging in asset-stripping. Yet they did not launch visible protest campaigns to threaten the government’s popularity as union A did.

Furthermore, the strategies of the two unions differed also in respect to what their leaders envisaged as possible sources of disruption. The leader of union B feared police repression more than the leader of union A: when the latter threatened to block the railway connecting the country’s two biggest cities, the former warned him not to do so, as “police will open fire”, something that never happened in the country’s post-1989

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<sup>7</sup> These episodes are part of how state-hired administrators (same as with NV, workers had chased foreign owners out and the state had appointed a consulting company to run the plant and find ways to repay creditors) describe the situation at the plant in their complaints to state organs, claiming that workers (led by their union) threw them out of the plant on May 15 2003: Expert Consulting, *Raport privind activitatea desfășurată de administratorul judiciar pe perioada Decembrie 2002 – Mai 2003*. [Report concerning the activity of the judicial administrator, December 2002 – May 2003]

history. While the latter was still only threatening, the former chose not to go as far.

In comparison to the Romanian unions, the following two Ukrainian unions faced more difficult situations: more isolated, with national unions unwilling to help plant-level unions against employers. For instance, if the national union assisted plant A workers by providing them with busses to organize road blocks in great distance of their town, such assistance is absent in the case of Ukrainian unions. What the cases nevertheless show is that a framework consisting of the strategic elements introduced above still provides a meaningful approach to understand the strategy of unions and what lead to the success and failure of unions. Specifically, here too unions were incapable of action as long as they did not reach a shared situational definition. Second, extreme trigger events (in one case, the suicide of a worker) – were needed to unite union leadership and workers. Third, disruption relied in both cases on a mobilized workforce (on a shared situational definition); in the case of plant D, however, the mobilized workforce acted not by achieving disruption at the plant (via a factory occupation, plant C), but outside of it, by triggering the intervention of authorities.

#### *Plant C – Constituting Disruption against Asset-Strippers by Disrupting Property Relations*

Plant C is located in Ukraine's South and is part of the country's recession-hit farm-machine industry. Employment went from 9,000 in 1991 to 2,400 in 2004, when the events described below started. Same as most plants in the country's farm-machine industry, Plant C (and plant D) was privatized via a fraudulent scheme. Its shares were illegally sold by a state corporation to off-shore companies (*Kommersant*, 5.04.2006). These off-shore companies sold the shares back to Ukrainian businessmen, whose identity initially remained undisclosed – something that Ukrainian corporate law allows for. In the case of Plant C, property became intensely disputed when IP, a company belonging to one of the country's oligarchs, showed up at plant C borrowing to the plant money to buy equipment and energy. Soon – and with the management's help – IP filed for Plant C's bankruptcy, given that Plant C had no money to repay its debt. In exchange

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for the debt, IP asked for Plant C property and by 2006 it had become the plant's actual owner. Ever since the start of the conflict over property in 2004 production plummeted and came to a halt in 2006. Workers went unpaid for several months. IP nevertheless had no plans of producing but was actively looking for a new buyer, and sold the plant to Ukrainian farm-machine producer BTS in early 2007. Production was re-launched, but plummeted again in summer 2008.

The union reacted only very slowly to the plight of workers. Its main demands were the repayment of wage arrears, and the plant's return under state property. However it organized no demonstrations or other visibility-ensuring actions; it relied exclusively on sending letters of protest to state authorities. In December 2006, a worker committed suicide at the plant, hanging himself from a lathe machine. Workers interpreted the suicide as a desperate way out from the situation of having no source of income. The suicide was followed by a wave of protest in the form of demonstrations. Workers also elected new union leaders, replacing about one half of the old union leadership. In response to the protests, owners paid the workers immediately a small part of the wage arrears, but later resisted demands of returning the arrears' remaining part.

The reason for the union's lack of action was the failure of the various union leaders to unite the workers around any the two definitions of the situation. Same as in the case of plant A, union leaders believed that owners face only temporary problems with making investments and, as times would get better, production would be re-launched and wages paid on time. Around half of the union council did not share this idea – but saw in the owners asset-strippers with no interest in production:

Using the situation in the country, the “shell-gamers”<sup>8</sup> rammed in their pockets our shares and by some judge's decision an “investor” showed up at our plant. [They] painted rainbow-like perspectives [for the plant]: in October [2007] there will be a first raise, by the year's end a second one, while in fact they're cutting down job rates, don't invest, and steal from the plant. What's next? They're selling the empty shops. And

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<sup>8</sup> This is the English-translation of the Russian slang word for tricksters playing shell-game and called



where are we and our children going to work? Go to Poland and clean toilets or to the Koreans for a bucket of onions? This situation led to the necessity of establishing a real trade union, elect honest and brave workers and get human working conditions and good pay! [Excerpt from a leaflet that some union council members circulated at the plant in December 2007]

The more radical union leaders could impose their view that the owners were asset-strippers only in late 2008, when the owner announced the closure of the plant and left town, refusing to talk to the union anymore. In response, and following a long series of street action, workers occupied the plant in February 2009, demanding the return of wage arrears and re-nationalization. The owner soon came back to negotiate. And, even though the owner successfully organized a violent take-over by armed private security one month later, the workers nevertheless received their wages.

Throughout these three years of conflict, the union remained utterly isolated. National union officers only came to plant C when their plant-level union leader was in danger of being voted down. Other unions in town also kept their distance. The plant occupation broke some of the isolation. It triggered huge interest among the country's far-left groups that offered workers at plant C help in formulating demands and communicating with authorities and owner. It also attracted considerable media attention: all national Ukrainian television stations, the national German television (ARD) and British Channel 4 visited town C during the occupation.

But the real significance of the factory occupation lies in its capacity to offer the union the possibility to disrupt. It showed that workers have something to threaten with even those owners who are not interested in production: taking over property. One could argue that the context of the factory occupation – the imminent closure of the plant, that re-united workers and union around one single definition of the situation – was an exogenous happening, beyond the control of workers or union and therefore hardly an instance of strategy. However, there are countless examples of plants in Ukraine where,

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*naperstochniki* (in German there is a closer translation, *Hütchenspieler*).

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in the same context of plummeting production due to the current crisis – workers are laid off by the thousands and nevertheless no turmoil appears (Varga 2010). At plant C, however, union members actively agitated among the workers and initiated the factory occupation that for a short time gave their organization the possibility to disrupt.

The factory occupation and the successful return of wage arrears are not the end of the story at plant C. By ending the occupation with the help of private security guards, the owner could regain physical control over the plant. It allowed back to production only some 400 workers, and fired the rest without compensation. Among the fired workers were also all of those union leaders who had organized the occupation. Despite winning in court the right to return to the plant or receive compensation, the fired workers were never allowed to return to work. I discuss in the end of this section the limitations to strategy uncovered by means of studying Plant C. Plant D offers further possibilities to explore which strategy elements failed in bringing about union success, by allowing to further isolate their operation: despite breaking out of isolation and constituting effective disruption, the union failed to secure a shared situational definition among members, and lost its most vocal activists in a subsequent managerial backlash.

### *Plant D*

Same as plant C, plant D shares were part of the same package of farm-machine plants that ended up as property of off-shore companies. At plant D – located in Western Ukraine - production reached a complete stop over a period of steady decline during 2004-2006. Wage arrears first appeared in 2004, but the union only started threatening a strike in 2005 (by starting a formal work-conflict procedure, at the end of which, if all state-mediation fails, the union obtains the right to strike). 2005 was also the year when wildcat strikes broke out. They started and ended at the plant, usually with a meeting between workers and management in front of the plant's administrative building. Management would promise to pay wages on time, would even make some payments, only for the problem to emerge again a couple of months later. Management has refused

to reveal who the plant's actual owner is (i.e. who controls the shares' majority), but workers found out that behind their and other plants' shareholder meetings is the same interest group, at the time of the conflict (2007-8) well-protected by its head's membership of the presidential *Our Ukraine* political party.

Meanwhile, workers believed that there is evidence that the plant had been taken over by asset-strippers; owners made no investments and sold assets worth Euro 2m, money that simply disappeared out of the plant's accounts. Same as in the other cases, the union at plant D was divided between those willing to give management a chance and those accusing the owners of asset-stripping. The top union leadership coincided with the first camp, while the second camp consisted of workers and shop stewards. Here is an excerpt of how the two camps defined the situation that their plant is in. The excerpt is from a protocol documenting the meeting between the region's governor and the two opposing leaders in January 2006. Even with the workforce down 10 times since the fall of the Soviet Union, Plant D still was the region's biggest remaining industrial unit, employing some 1,150 people in 2006. News about wage arrears, wildcat strikes, and protests within the plant had reached the governor's ears, who called the union representatives to inform him personally about "the economic situation at [Plant D] and the ways of increasing the enterprise's work effectiveness."

In the words of the governor (excerpt and translation from the Ukrainian original cited below, see footnote):

"Our region does not have big, strong industrial enterprises and I am not indifferent to the fate of the harvester plant. The regional administration is interested that the factory keeps working, that the workers get wages, and that a competitive production develops. I want to hear from the collective how the enterprise is working, and how its management is working".

The two union representatives repeated their opposing standpoints in front of the governor. Here is what the union leader said:

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“Today there are 1,143 people working at the plant. With the coming of the new owner the situation improved, at this moment the [branch-level] tariff system is respected. The average monthly wage of a worker of the plant is 460 hryvnias [EUR 40 at the time]. Considering the experience of the plant's workers, we want to preserve the [current number of] jobs. Starting with February 6, we will go over to a 100% work load at the enterprise. [...] Today the enterprise is developing new models that in the shortest time will be offered to the customers. One of these novelties is harvester [model] “Hazda”, whose production project will be completed this spring. We wish to receive help in enlarging markets for the plant's production. [...] It is important and vital that the plant gets access to state aid. The government needs to pay attention to the proper support of a national producer of agricultural machines”.

Here is the perspective of the shop steward challenging the union leader over the latter's definition of the situation:

“The owner is not interested in the functioning of the plant and doesn't invest any money. We were not paid the wages for November and December 2005. True, there is work on diversifying the assortment of products made at the plant. But we have only one order from Rostov [Rostov-na-Donu, the city in Russia] for the production of gears. In 2005 the regional administration created a working group for regulating the question of transferring the dormitories [where 3,000 workers and their relatives live] to the property of the city of Ternopil', but the problem stays unsolved. [Plant] building number eight was sold, but we haven't seen where the money went. They [management] did not even liquidate the wage debt. We found out from the press that the money from the sale [of building number 8] reached 8 million hryvnias [around 1 million Euros]. Currently the local prosecutor is investigating the problem. At the beginning of the year the enterprise contracted a loan and guaranteed it with the dormitories. What can we expect?”<sup>9</sup>

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<sup>9</sup> Excerpts are taken from *Protokol no. 6: Naradi pri golovi oblasnoi derzhavnoi administratsii* [Protocol No. 6: Meetings with the Head of the Regional Administration], January 26, 2006. (Own translation from Ukrainian; document in the author's archive.)

Also due to these disagreements over how to define the situation of their plant, workers *officially* (meaning with union backing) interrupted work for the first time only in February 2007. In the meantime, the plant's debt to its 1,000 workers had reached some Eur 500,000 worth of unpaid wages. Workers had not received any money at all since October 2006. Simultaneously the union and its main ally, the head of the local organization of the Federation of Ukrainian Trade Unions (*Federatsiya Profspilok Ukrainy*, FPU), followed also another line of action: With the local FPU head also being a city council member, the union could attract the attention of local politicians; for the same purpose and led by the FPU head, workers took the conflict out of the plant and into the streets, picketing all local authorities and the state prosecutor's office. They demanded the payment of wage arrears, an investigation of plant accounts and the plant's return to state property (nationalization). Management responded to worker protests by cutting gas and electricity supplies to the plant's dormitories in winter, something that radicalized workers up to the point of preparing to block the international railroad passing through town. The city council's interfered by pressuring the state prosecutor to investigate plant accounts. The investigation led to the arrest of the plant's general manager (due to the missing Eur 2m). Fearing that more investigating could cause them to loose the plant, the owners found the money to pay the wage debt in March, following a share-holders assembly.

In the case of plant D, workers constituted the disruption needed to convince owners to return wage arrears in a different way than in the previous case: by finding support outside the plant - politicians interested in the visibility the protest could offer them – the union triggered the involvement of the authorities that arrested the general manager. However, same as in the previous case, the success in returning the wage arrears was not the end of the story. Management fired the official strike organizers and laid-off most of work force without any compensation, cutting the work force to one third of the pre-conflict figure. Despite outside support, and despite initial gains, the union failed to save the jobs of or offer compensation to the plant's overwhelming majority of workers. What happened is that after a change in ownership, the new

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employers announced that they can continue production only if they cut down the plant to only one of its shops, and dispense of the rest. That shop refused to join protests of the laid-off workers, and so did the union – now left without the fired activists who had organized the strikes. But what is significant is that employers could achieve the split in the union only by giving up their predecessors' plan to close down the plant entirely.

### *Discussion*

The four cases hint at the existence of two different aspects in constituting disruption. The first one refers to the process of *addressing* disruption, identifying the addressee of disruption. When should a union address a threat of disruption to the employer, and when to the authorities? This is not just a question of finding the 'right' opponent, meaning the one that is also able to do something about a union's demands, it is also a question of mobilization: some opponents are better targets than others, also because their identity resonates with workers' perceptions. But it also is a question of strategy effectiveness: in the case of plant A, it was obvious for union leaders that after taking control over the plant and chasing the owner away, the solution to their main problem – re-launching production and wage payments to workers – was all in the hands of the government.

The second aspect of constituting disruption refers to *calibrating* it, determining what exactly would pose a threat to the opponent: What is meaningful disruption given the addressee? When should a union abandon the strategy of threatening to disrupt production, and instead threaten to disrupt property relations? These are questions of intense dispute within unions, often paralyzing unions until they are resolved (as seen in the Ukrainian cases). These are all questions that trade unions A-D had to face. In effect, the case studies offer three lessons about union-constituted disruption and its limits when confronting asset-strippers.

Lesson a (taken from plants A and B): Take disruption out of the plant, but protesting workers should remember that:

Lesson b (plants C and D): Constituting disruption requires at times unity (shared situational definition) within the trade union, and such unity might be temporary because:

Lesson c (plants C and D): Unity (shared situational definition) within the trade union might be difficult to defend when employers signal abandoning asset-stripping in favor of a 'leaner' (requiring only partial lay-offs) production model.

Lesson a) means that when employers target entire factories for asset-stripping, the conflict between union and employer approximates a zero-sum logic. In the case of a wage raise demanded by a union from a production-interested employer, one can assume that both the union and the employer have an interest in the survival of the plant (Schelling 1960). Therefore, the disruption that the union constitutes only needs to hurt production (for instance via a strike). In the case of asset-stripping, however, only disrupting production loses any meaning for the trade union. By organizing factory occupations and actions to mobilize larger communities, for instance via a hunger strike, the trade union strikes at the state (which is called to enforce property rights in the case of occupations), and forces its involvement in solving the conflict at the plant.

The table below summarizes the operation of the three strategy elements and their effect on trade union success; it points to Lesson b), stating that without a shared definition of the plant's situation, uniting workers and union, there would be no mobilization (the case of Plant C prior to the worker's suicide). Without mobilization, the union would have no means to achieve any pressure on the employer or on the state. Furthermore, without outside support, it can fail to communicate its threats to employers (the case of plant D if relying only on the February strike). The case of plant B shows that disruption can also influence the shared definition of the situation (and the unity of leaders and workers): the failure of union leaders to make effective use of the workforce in disruptive actions might discourage further mobilization.

Table 2: The operation of the three strategy elements and their effect on trade union success

Plant	Situational definition ensuring unity?	Disruption succeeds?	Breaks out of isolation?	Wage-arrears returned?	Union resists management backlash?
A	+	+	+	+	no backlash
B	-	-	+	+	no backlash
C	+	+	-	+	-
D	+	+	+	+	-

Third, the cases uncover the centrality of employer intentions in union strategy. In cases of plants C and D, even though unions initially achieved as much as union A, they could not consolidate what they had gained and instead faced waves of lay-offs sending most workers into unemployment without any severance payments. Worse, union protest organizers were also driven out of the plant, leaving the workers that management kept at the plant without representation. Such managerial backlashes against trade unions could take place because of changes in employer intentions, either due to increased availability of investment funds at Plant C or due to ownership changes at Plant D. They took the form of renouncing to close down entire plants in favor of laying-off only some of the workers. Consequently, managers could divide their opponents between workers to be kept at the plant and those to be fired. A crucial ingredient of employer strategy was the ambiguity around employer intentions for the plant: Employers did not make public their intention to close down the plant in any of the cases, with the exception of plant C (and in that case they only made it public shortly before the factory occupation).



By giving in to certain union demands, the employer could prove to the workers its attachment to the plant; by offering some workers the possibility to stay at the plant, and being able to physically keep everybody else out of the plant, employers could realize most of their intentions (while giving up the one of closing down the plant). If workers and their unions can solve such ambiguity, they have more chances of imposing their demands, yet more realistically they can take into account the possibility of employer intention changes and prepare their members accordingly.

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