

"From the Depths Of The Earth, We, The Men Underground, Will Start Singing": Globalization and Blue-Collar Workers in Post-Communist Poland and Russia

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BOSTON COLLEGE

**“FROM THE DEPTHS OF THE EARTH, WE, THE MEN UNDERGROUND, WILL START SINGING”
GLOBALIZATION AND BLUE-COLLAR WORKERS IN POST-COMMUNIST POLAND AND RUSSIA**

A SENIOR HONORS THESIS

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Dedication

To my parents and Sam for always believing in the “miracle” baby...

And to the men and women of Poland: *Dziękuję Bardzo*

**И ТОГДА МЫ, ПОДЗЕМНЫЕ ЧЕЛОВЕКИ, ЗАПОЕМ ИЗ НЕДР
ЗЕМЛИ ТРАГИЧЕСКИЙ ГИМН БОГУ, У КОТОРОГО РАДОСТЬ!
ДА ЗДРАВСТВУЕТ БОГ И ЕГО РАДОСТЬ!**

**AND THEN FROM THE DEPTHS OF THE EARTH, WE, THE MEN
UNDERGROUND, WILL START SINGING A TRAGIC HYMN TO
GOD, IN WHOM THERE IS JOY! HAIL TO GOD AND HIS JOY!**

— *THE BROTHERS KARAMAZOV*

FYODOR DOSTEOVSKY

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Introduction

“Globalization is an idea whose time has come.” So begins a recent, definitive volume about our increasingly globalized world (Held, et. al 1999: 1). Yet, as the authors correctly point out, globalization is a concept that lacks clear definition, and there is considerable debate about its analytical utility for understanding contemporary international relations. While globalization seeks to capture the sense that the world is shrinking, that political and other changes in one country can directly affect those in another, there is little understanding of its exact contours or impact on particular societies. What is globalization? Is it an entirely new phenomenon or is it historically contingent? How does globalization differ according to national contexts? What is its impact on society?

This paper will answer the last of these questions by comparing globalization’s effects in two particular countries: Poland and Russia. Following the collapse of communism from 1989 to 1991, there was an extensive international effort to reintegrate Poland and Russia (and the whole of the former Soviet Union more generally) into the global system. Now, more than ten years later, there is some doubt about the success of this mission. Clearly, Poland and Russia are in different positions vis à vis the international system. While Poland is a member of the North Atlantic Treaty Organization (NATO) and has just joined the European Union (EU), Russia continues to struggle to find its place globally. It is a part of the Commonwealth of Independent States (CIS) and has observer status in the World Trade Organization (WTO), but remains outside NATO and is conflicted about its

relationship with its neighbors. The two countries in certain respects, then, represent the extremes on a scale of post-communist global reintegration.

There are also considerable differences concerning globalization *within* the two countries as well as between them. For example, while entrepreneurs in Poland see connections with Western organizations as the key to foreign investment and improved business services, Polish workers worry that products from Spain or the Netherlands will undermine their job security. Each group's beliefs, in turn, colored their responses to the question of European integration this past year. To understand globalization in Poland and Russia, therefore, requires close examination of its micro-level effects (on specific social groups, sectors and individuals) as well as general, macro-level trends.

Accordingly, one broad social class in Poland and Russia— blue -collar workers — will be considered in this study. As Ost and Crowley point out, to focus on labor issues is generally not a popular choice in academic literature — especially not when it concerns Eastern Europe:

With the downfall of regimes that claimed to rule on behalf of the working class, attention has turned to traditional political science concerns such as party formation or economic issues like privatization. When social scientists look at civil society, they tend to look at NGOs, or new forms of protest, or the emergence of the new elite. It is indicative of our times that so much has been written about new elite formation and so little about working-class formation (Crowley and Ost, 2001: 4).

Nonetheless, there are several reasons why labor in Poland and Russia deserves scrutiny. To begin with, “labor has been central to the fate of advanced capitalist democracies. This is especially true of Western Europe, to which the post-communist countries so ardently aspire” (Crowley and Ost, 2001: 4). Labor's importance to democratization on the European continent stems from the historical role that trade unions have played in articulating and

structuring workers' grievances. Indeed, trade unions have been "essential to democratic stability because they channel the inchoate social anger that comes from being a subordinate into a formal economic grievance capable of being redressed" (Crowley and Ost, 2001: 4).

At the same time, the fact that this Western European model of "labor relations and class compromise is itself being transformed just as Eastern European countries are attempting to adopt it" presents post-communist workers with a unique challenge (Crowley and Ost, 2001: 4). If labor's response is weak it may have profound "political implications, for it means that the anger that trade unions have traditionally funneled into class cleavages can get diverted into nationalist, fundamentalist, and other illiberal directions. If this is so, ... labor weakness may threaten [the consolidation of liberal, capitalist democracy in Eastern Europe]" (Crowley and Ost, 2001: 5) ¹.

Thus, focusing on labor within the context of Poland and Russia's drive to reintegrate into the global system has important consequences much beyond the immediate.

Conventional wisdom about globalization in the two countries, in turn, seems to indicate that its impact has been extremely negative for workers. Is this the case? Ultimately, the work ahead will answer two overarching questions: What does Poland and Russia's reintegration into the globalized system look like overall, and is conventional wisdom about its specific impact on blue-collar workers in the two countries accurate?

The Plan Ahead

Chapter I presents the analytical framework upon which this study of globalization in Poland and Russia is based. The chapter defines the meaning of globalization, its historical

¹ See Chapter III for a discussion of labor weakness.

antecedents, and several of its possible impacts. It also explores some of the reasons why globalization is so controversial. The chapter closes with a broad overview of structural similarities in Poland and Russia's experience with globalization after 1989 and 1991.

Chapter II, the background-historical chapter looks at what life was like for workers in Poland and Russia in the period just prior to the collapse of communism. While globalization affected Poland and Russia before 1989 and 1991, the years truly marked a sea change in terms of the two country's interaction with the outside world. As such, the chapter begins with a discussion of the extent of this interaction, followed by a specific examination of workers' relationship to the state during communism.

Chapter III, the political chapter, examines the impact of globalization on the relationship between workers and their respective (state and regional) governments. Globalization's impact is mediated both by a particular country's overall positioning in the global system and by the internal dynamics of state-civil society relations. Therefore, this chapter seeks to determine the exact nature of these two currents — or in other words, it asks: how has globalization changed the relationship between blue-collar workers on the one hand and the state in Poland and Russia on the other? Ultimately, it points to the fact that globalization has been as much a political ideology as a social phenomenon in Eastern Europe.

Chapter IV discusses how globalization has altered Polish and Russian blue-collar workers' economic opportunities and job security. It focuses particularly on the extent to which transnational corporations (TNCs) and foreign ownership have been responsible for employment and production changes within certain sectors and individual firms in each

country. In some respects, it is in this sphere of economics that globalization has had the most significant and divergent consequences.

Chapter V investigates the social impact of globalization on workers in Poland and Russia. As in the sphere of economics, the social consequences of globalization for workers in the two countries have been particularly acute and diverse. The chapter specifically explores the development of social policy in both countries after communism's collapse as well as the efforts (or lack thereof) to build a comprehensive social safety net for the workers hardest hit by globalization.

Finally, Chapter VI makes conclusions about the impact of globalization in Poland and Russia and some general propositions about the future for blue-collar workers. It is important to note that in all chapters there will be an effort to distinguish between regions within the two countries. Just as globalization is mediated by the state in various ways, its reach is equally affected by regional disparities. A worker in Moscow, for example, may experience an extensity and intensity of globalization that is markedly different from a worker in Novosibirsk; the same holds true for a farmer from Katowice and one from Gdansk.

In addition to these differences, there are also significant divergences according to the sector and even the specific occupation from which an individual comes. Russian steelworkers' interactions with global forces are not identical to those of workers in the oil industry; nor do low skilled workers have the same options or challenges as highly skilled industrial workers. Throughout the chapters, then, regional, sectoral and occupational differences in globalization's impact will be highlighted.

Chapter I

Globalization (In Theory...)

What is Globalization?

Globalization is a concept that is highly contested. Thomas Friedman defines it as the “inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than ever before” (Friedman 2001: 302). For some, globalization signifies the decline of the nation-state and the ascendancy of the market in the organization of human affairs (Held, et al. 1999: 3 and Lechner and Boli, 2000: 1-3). Still others see globalization as the:

Closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communication, and the breaking down of artificial barriers to the flow of goods, services, capital, knowledge and people across borders (Stiglitz 2002: 9).

Moody judges that globalization is not a “fact of life” but a process, and that the deepening of (capitalist) economic integration has had disastrous effects in certain parts of the world (Moody 1997: 42). Indeed, these effects have been so disruptive they have provoked a worldwide resistance movement against a seemingly uncontrollable “globalization from above” (Brecher, Costello and Smith 2000: X and Keck and Sikkink, 1998: 14-16). For a minority, the entire concept of globalization is exaggerated. They believe that globalization is not historically unprecedented, and that what the world is seeing today is in reality a heightened level of interaction between national economies (Held, et. al 1999: 5).

All of these definitions partly capture the essence of globalization. Globalization certainly is characterized by the closer integration of national market economies and is, without a doubt, redefining traditional conceptions of state sovereignty and autonomy. Economic globalization has also produced significant negative side effects. Globalization is in part a product of the declining cost of communication and transportation technologies, and it certainly has historical antecedents.

The problem with most of these characterizations, however, is that they tend to focus on only one aspect of globalization (economic, cultural, etc.) or they paint globalization in either/or terms. Globalization either is a new phenomenon or a continuation of a long-term historical process. It is either strengthening the state or leading to its obsolescence. Globalization is either “good” or it is “bad.” None of these propositions are entirely satisfactory in defining globalization because they fail to recognize that globalization can be all of these elements at the same time.

Accordingly, the definition of globalization that will be used in this study is an amalgamation of all of the above-mentioned descriptions. As Held et al, indicate, globalization is:

A process (or set of processes) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction, and the exercise of power (Held, et. al 1999: 16).

This concept of globalization is the most accurate for it incorporates not only economic forms of globalization but political, social and cultural as well, thereby capturing all of the various elements that the above-mentioned scholars highlighted.

Expanding upon this definition, Held, et. al explain that extensity is a “stretching of social, political and economic activities across frontiers such that events, decisions and activities in one region of the world can come to have significance for individuals and communities in distant regions of the globe” (Held, et al 1999: 15). Intensity signifies a growing regularization of connections across societies, which in turn implies a “speeding up of global interactions and processes as the development of worldwide systems of transport and communication increases the potential velocity of the global diffusion of ideas, goods, information, capital and people” (Held, et al 1999: 15). Finally, growing extensity, intensity and velocity of global interactions leads to a “deepening enmeshment of the local and the global such that the impact of distant events is magnified while even the most local developments may come to have enormous global consequences. In this sense, the boundaries between domestic matters and global affairs may be blurred” (Held, et. al 1999: 15).

This comprehensive definition widens the scale and scope of globalization such that it includes most of the worldwide processes seen today. Put another way, this explanation of globalization does not limit the concept to describing single developments like regionalization, the growth of free market capitalism or the decline of the importance of the nation-state. The flexibility built into the definition allows it to include processes that might seem on the surface to be contradictory. For example, it can show that globalization is on the one hand leading to a decline of the traditional concept of the nation-state, but on the other providing new opportunities for the exercise of state power. This definition, then, is as encompassing as possible.

A History, or What is Distinctive About Globalization Today?

To appreciate what is distinctive about globalization today requires first an understanding of the kind of international systems that preceded it. Globalization is by no means an entirely new phenomenon, but certain of its features in the contemporary period *are* novel. The mid 1800s to the late 1920s, for example, could qualify as another era of globalization. During this time, Great Britain was the dominant global power and invested heavily in other markets, individuals in England and the United States were affected by financial and other crises in Argentina and Latvia, and the invention of the steamship, the telegraph and the telephone all served to magnify the extensity, velocity and impact of these crises (Friedman 2001: 299).

As Thomas Friedman notes, however, what is new about globalization today is the “degree and intensity with which the world is being tied together into a single globalized world ... What is also new is the sheer number of people and countries able to partake of this process and be affected by it” (Friedman 2001: 298). These differences are clearer when one compares certain forms that globalization has taken throughout history in the spheres of migratory, cultural, political, economic, and labor activity. In all of these areas, globalization has had a long history, but its particular manifestation today is unique and unprecedented (Held et. al 2001: 136).

Globalization and Migration

The interaction between globalization and the migration of peoples from one part of the world to another has an extensive history. From the sixteenth century onwards European elites traveled and conquered the Americas, Africa and Asia, while between 1880 and World War I, Europe’s poor fled in massive numbers to the United States seeking economic security. During World War I, international migration fell as worldwide political and

economic conditions worsened, but the political realities of World War II saw huge increases in forced refugee migrations from Europe, the Soviet Union and North Korea to Israel, the United States and South Korea respectively. In the 1950s and 1960s, millions of people went to Europe to take advantage of its booming economies, and in the 1970s, the demand for cheap labor continued to drive migration from Asia, Africa and the Middle East (Held, et. al 2001: 136).

As Held et. al indicate, this long history of global migration has presented the contemporary world with an unprecedented degree and intensity of ethnic, religious and cultural diversity:

There is more ethnic diversity than ever before in states of the Organization for Economic and Community Development (OECD) ... and the United States is experiencing levels of migration that are comparable to ... the late nineteenth century ... There has also been an astronomical rise in asylum seeking, displaced persons, and refugees from wars as states are created and collapse in the developing world (Held, et. al 2001: 137).

These developments have forced all governments — local, state and national — to re-examine questions of national citizenship, employment, cultural identity and global control of migration. The globalization of migration thus has fundamentally altered the organization of societies worldwide.

Cultural Globalization

The globalization of culture also has a long history. The great pre-modern empires held themselves together through a common ruling class culture rather than through direct military or political control, and even with the rise of the nation-state and nationalism in the eighteenth century, technological advances in transport and communications helped these Western empires' ideas to spread and transform societies in other parts of the world (Held, et.

al 2001: 138). What is different about the contemporary period is once again the sheer “scale, intensity, speed and volume of global cultural communications today” (Held, et. al 2001: 137). As Stiglitz indicated earlier, the rapid diffusion of this new technology, coupled with its declining cost, has removed whatever barriers to communication existed. This, in turn, has dramatically redefined the political authority of the state, for it has made national controls over the flow of information increasingly ineffective.

Today’s form of cultural globalization is also distinctive because it is “driven by companies not countries. Corporations have replaced states and theocracies as the central producers and distributors of cultural globalization” (Held, et. al 2001: 139). This has increased the spread of cultures as well as its impact. Though some argue that this corporate-led spread of cultural values is synonymous with Americanization, Westernization or “McDonaldization,” in reality cultural globalization has led to two competing forces: “the growth of multicultural politics almost everywhere and, in part as a reaction to this, the assertion of fundamentalist identities (religious, nationalist and ethnic)” (Held, et. al 2001: 138).

This is transforming the organization of state power to such an extent that it is now a threat to those countries that pursue policies closed to new information and culture. For example, “China sought to restrict access to the Internet but found this extremely difficult to achieve” (Held, et. al 2001: 138). Globalization, at least in terms of its cultural aspect then, is both redefining traditional conceptions of state sovereignty and introducing new forms and locales of cultural power and authority (Held, et. al 1999: 85).

Political Globalization

In order to understand what is distinctive about politics in the contemporary era of globalization, one must first grasp how political society was organized in the past. Central to the previous international system was the Westphalian notion of the nation-state. That is, modern states were:

Nation-states – political apparatuses distinct from both ruler and ruled, with supreme jurisdiction over a demarcated territorial area, backed by a claim to a monopoly of coercive power, and enjoying legitimacy as a result of a minimum level of support or loyalty from their citizens (Held, et. al 1999: 45).

This type of political organization was marked further by a clear separation between the domestic and foreign spheres of state activity — “the ‘inner world’ of territorially bounded national politics and the ‘outer world’ of diplomatic, military and security affairs” (Held, et. al 1999: 32).

The organization of international affairs in today’s era of globalization is significantly different from its Westphalian predecessor because this clear, exclusive link between geography and political power no longer exists. To begin with, the locus of political power is no longer solely national governments. Political authority is now shared by a multitude of national, regional and international organizations, and layers of governance have spread within and across traditional nation-state boundaries (Held, et. al 1999: 80 and Held, et. al 2001: 139). It also cannot be assumed that political identity follows the contours of traditional nation-state boundaries. As Held, et. al note, “the system of national political communities persists, but it is articulated and rearticulated today with complex economic, organizational, administrative, legal and cultural processes and structures which limit and check its efficacy (Held, et. al 1999: 81).

Another distinctive feature of political globalization today is that while it has not wholly undermined the traditional concept of state sovereignty, it has changed the notion that sovereignty is an “illimitable, indivisible and exclusive form of public power” (Held, et. al 1999: 81). Indeed, the interaction of individual states in new and complex regional or global systems like the European Union or the World Trade Organization has affected their autonomy — “by altering the costs and benefits of policies and influencing institutional agendas” and their sovereignty — “by changing the balance between national, regional and international legal frameworks and administrative practices.” Traditional state power has now become embedded in and fractured by other domains of political authority (Held, et. al 1999: 81).

The distinction between domestic and foreign affairs is also no longer applicable in this era of globalization. With governments facing problems like AIDS, the proliferation of nuclear weapons and global climate change that spread across national boundaries, these categories are not sufficient to describe the organization of and responses to international affairs. Today, “political space for the development and pursuit of effective government and the accountability of power is no longer coterminous with a delimited political territory. Contemporary forms of political globalization involve a deterritorialization of political authority ... and intensive transboundary coordination and regulation” (Held, et. al 1999: 81).

A final, unique feature of politics in the contemporary period of globalization has been the strengthening and broadening of international law. As Held, et. al highlight, a framework of “cosmopolitan law — governing war, crimes against humanity, environmental issues and human rights” — has emerged today which is making fundamental “inroads” into state sovereignty (Held, et. al 2001: 139). These new human rights laws in turn are lobbied

for and monitored by an increasing number of international organizations (e.g. Amnesty International or the International Criminal Court), which transcend traditional nation-state lines.

Ultimately, globalization has fundamentally transformed conventional political organization by:

Reconstituting traditional forms of sovereign statehood and reordering international political relations ... as a result, the contemporary world is best understood as a highly complex, contested and interconnected order in which the interstate system is increasingly embedded within evolving regional and global political networks. The latter are the basis in and through which political authority and mechanisms of governance are being articulated and rearticulated ... [all of the above-mentioned] developments illuminate a shift away from a purely state-centric politics to a new more complex form of multilayered global governance (Held, et. al 1999: 85).

This shift towards a more multi-layered global governance has meant in practice (as it did for cultural globalization) that traditional conceptions of state sovereignty, while not superfluous, are now acting in concert with a host of other forms of political power and authority.

Economic Globalization

As should be clear from the above-mentioned definitions of globalization, when most people think of globalization they think of its economic aspects. This stems in part from the sheer scale of global economic relations today, but also from the perceived effects of the global economy on certain countries and particular social groups within them. Once again, global trade, production and finance have all existed for centuries, but what is distinctive about such economic networks during this period of globalization is that they are both greater

than ever before and “linking national economies together at a deeper level than in the past” (Held, et. al 2001: 142).²

To begin with, just as the division between international and domestic politics has become blurred in the face of contemporary globalization, so too has the division between international and domestic economic activity. Countries not only consume larger quantities of goods from abroad, but production processes are increasingly outsourced overseas – which has led to the emergence of a new “global division of labor and new patterns of wealth and inequality” (Held, et. al 2001: 142-143).

The globalization of the economy has also fostered an increase in transnational corporations (TNCs). These TNCs have not only transnationalized their own production processes, but have also pushed smaller, national firms into transnational production chains. This widespread economic transnationalization, in turn, has forced state governments to learn how to balance “domestic priorities and conditions with the demands of global capital” (Held, et. al 2001, 144). This is manifest in the increasing pressure (led by international organizations like the WTO, IMF and World Bank) on countries to harmonize their corporate practices, taxes, business regimes and macroeconomic policies with those of accepted international standards.

Alongside these TNCs, most countries are also integrated into global financial markets, which in various ways constrain individual states’ role in determining the nature of their country’s national economy (for example, it limits states’ ability to determine long-term interest and exchange rates). It is important to note, however, that this “does not mean that the financial markets simply determine national economic policy. But they do radically alter

² As a caveat, however, it is necessary to point out that while these linkages are occurring they are only doing so in certain places. The development of economic connections, then, is a combined and uneven phenomenon.

both the costs of particular policy options and policymakers' perceptions of costs and risk" (Held, et. al 2001: 144). It is also significant that individual country's access to these financial and other markets is highly uneven. Therefore, the impact of the global economy on individual countries and individual social groups within them is far from uniform.

Globalization and Labor

Finally, globalization has also had distinctive consequences for labor relations and the nature of work. On the optimistic side:

Globalization has led to, or at least accompanied, a certain degree of decentralization of production and work methods. Politically it has tended to "hollow out" the national state and, perhaps, made it more porous regarding social initiatives. At the cultural level it is now accepted that globalization [and particularly the information technology revolution] has ... provided workers and unions with instant information from around the world. It is not just that the information has become more accessible; it is also that there is more transparency, monitoring and control of what is happening around the globe than ever before. The [technology revolution] can be seen to create to some extent ... a new democratic equivalent, allowing for better international communications, technically, socially and politically (Munck, 2002: 63-64).

Less positively, however, the relationship between labor and globalization is often viewed as one in which workers are passive victims of new globalizing trends, the "malleable material from which globalization construct its new world order" (Munck, 2002: 67). Capital is seen as an "active, mobile, forward-looking player in the globalization game while labor is seen as static, passive and basically reactive. The game has changed and labor is seen to have few cards" (Munck, 2002: 68).

Globalization has negatively affected workers in three principle ways: It has led to an increased "flexibilization" of the work force, to its feminization and to a belief that trade unions are no longer necessary; that they are archaic. The debate about the flexibilization of

labor has centered on whether it encourages economic growth (which helps to create jobs) or not. According to Munck, flexibility can take five main forms: external numerical flexibility (number of employees adjusted in accordance with employers' needs), externalization (the part of a firm's work which is put out through subcontracting), internal numerical flexibility (working hours adjusted according to employers' needs), functional flexibility (workers' jobs modified according to employers' needs) and wages flexibility (according to workers' productivity and market conditions) (Munck, 2002: 72).

This drive towards labor flexibility, which is a global one, "albeit taking different forms given the particular national forms of embeddedness of the labor market" is unfortunately in practice "spelling smaller work forces, fewer rules in the workplace, weaker unions and wages being tied to the business cycle" (Munck, 2002: 73). Though labor flexibility, if agreed to with workers and their unions' input, can lead to more constructive working conditions, the dominant global approach to it has been one in which workers' needs are subordinated to those of capital – "that is, national economies are following routes that are directly and explicitly against labor" (Munck, 2002: 73). This has ultimately led to a more precarious employment situation for workers and a decline in productivity. A better approach to labor flexibility would acknowledge the importance of economic growth, but also focus on:

better levels of education and training for workers. Above all, it would develop new forms of regulation as required by the new internationalized production systems and the more flexible labor markets that have developed. Effective production restructuring and innovative forms of competitive advantage have usually emerged in situations where trade unions are strong and labor is treated as a human resource and not just another cost to be cut (Munck, 2002: 74).

Related to the flexibilization debate has been the feminization of the global labor force, which could “potentially have the most far-reaching social consequences” for workers (Munck, 2002: 74). Deregulation, the retreat of the state from economic affairs and flexibility have all led to a shift in the gender patterns of employment such that the number of women in paid formal employment has increased dramatically (Fairbrother and Griffin, 2002: 9-11). Yet, this trend is not unproblematic. As Munck indicates, “the gender division of labor, which tends to confine women to relatively subordinate and inferior positions in the organization of monetized production, is not overridden by flexibilization” (Munck, 2002: 75).

This feminization of the global labor force also highlights the “problems with traditional trade union notions centered around the male worker in a factory and the family wage” (Munck, 2002: 75). One positive response to these changes has been that linkages between factory workers, “stay-at-home” women’s campaigning groups and women’s groups are now being pursued at the international level in many developing countries (Munck, 2002: 75).

The discourse of a “new, globalized economy” which dominated the economic mood in the 1990s also negatively affected the global work force in that:

Poor economic performance in the West, particularly in Western Europe, was blamed on labor’s rigidity in terms of wages, labor conditions and constraints on capital imposed by trade unions. Flexibility became synonymous with dynamic change, and an ability to adapt to pressures and incentives ... What the much-vaunted strategy actually entailed was a reduction in wages (numerical flexibility), and an increase in the number of tasks the remaining workers had to perform (functional flexibility). Overall, the flexibility offensive had created by the end of the 1990s a work force which was much more insecure and had seen many of the welfare rights [of workers] wiped away (Munck, 2002: 78).

These attitudes encouraged efforts on the part of national governments, industries and individual firms to actively inhibit the development of trade unions, workers' councils or codified labor standards concerning working conditions and productivity (Newland, 2001: 307-308). At the same time, however, it is important to note that these trends are highly differentiated and uneven. There are "tendencies towards financial autonomy, flexibility and a reduction in labor standards. Yet there are also elements pulling in the opposite direction" (Munck, 2002: 81).

In the end, then, globalization today is a combination of the old and the new. It is old in the sense that certain forms of it have existed for centuries. It is new in terms of its scale and scope, as well as in its range of actors and those affected by it. In redefining traditional conceptions of state power, cultural identity, economic autonomy and labor relations, globalization today is challenging states and individuals to "reform [their] existing territorially defined democratic institutions and practices so that politics can continue to address human aspirations and needs ... globalization is reilluminating and reinvigorating the contemporary political terrain" (Held, et. al 2001: 146). The goal of the future, if possible, will be to determine how traditional conceptions of state organization and international affairs can be reformulated in a world in which such traditional conceptions are increasingly blurred.

Globalization's Impacts

If globalization is made by a reorganization of social relations and transactions, how does this transformation affect individual members or groups within a society? As Held, et. al observe, analyzing globalization's impact is difficult to determine, but "without some clear understanding of the nature of impact, the notion of globalization would remain

imprecise ...” (Held et. al, 1999: 17). Therefore, the authors have outlined four distinct types of impacts, which will serve to inform the analytical backbone of this study. These are decisional, institutional, distributive and structural. Decisional impacts refer to “the degree to which the relative costs and benefits of the policy choices confronting governments, corporations, collectivities and households are influenced by global forces and conditions” (Held, et. al, 1999, 18). Thus, globalization can increase or decrease the cost of various policy options, thereby altering an individual or state’s decision-making tools. Decisional impacts can be assessed in terms of “high impact (where globalization fundamentally alters policy preferences by transforming the costs and benefits of different courses of action) and low impact (where policy preferences are only marginally affected)” (Held, et. al, 1999, 18).

However, the impact of globalization may not always be best understood in terms of decisions taken or foregone:.

since it may operate less transparently by reconfiguring the agenda of decision-making itself, and consequently, the available choices which agents may or may not realistically make. In other words, globalization may be associated with ... the ‘mobilization of bias’ in so far as the agenda and choices, which governments, households and corporations confront, are set by global conditions. Thus, while the notion of decisional impacts focuses attention on how globalization directly influences the preferences and choices of decision-makers, the notion of institutional impact highlights the ways in which organizational and collective agendas reflect the effective choices or range of choices available as a result of globalization (Held, et. al, 1999: 18).

Whereas decisional impacts have a direct bearing on societies, then, institutional impacts are more indirect, changing the context in which societies have to function rather than altering their form or mode of operation (Held, et. al, 1999: 19).

Globalization can also have significant distributive impacts, altering the allocation of power and wealth both between and within societies. Globalization changes the

configuration of social forces in a society (classes, groups, etc.) such that, for example, “trade may undermine the prosperity of some workers while enhancing that of others. In this context, some groups and societies may be more vulnerable to globalization than others” (Held, et. al, 1999: 18).

Finally, globalization can have considerable structural impacts in so far as it conditions and changes the patterns of domestic social, economic and political organization and behavior within a particular society (Held, et. al: 1999: 18). “Accordingly, globalization may be inscribed within the institutions and everyday functioning of societies” (Held, et. al, 1999: 18). For example:

The spread of Western conceptions of the modern state and capitalist markets have conditioned the development of the majority of societies and civilizations across the globe. They have forced or stimulated the adaptation of traditional patterns of power and authority, generating new forms of rule and resource allocation (Held, et. al, 1999: 18).

These structural consequences of globalization impacts can be visible over the short and the long term in the “ways in which states and societies accommodate themselves to global forces” (Held, et. al, 1999: 18).

Ultimately, globalization can transform the organization, distribution and exercise of power in societies. Varying degrees of control of, access to and enmeshment in global networks has significant consequences for the “life-chances and well-being of peoples, classes, ethnic groupings and the sexes” (Held, et. al, 1999: 20). This study will examine these impacts specifically with respect to the two above-mentioned social groups and highlight how they are indicative of Poland and Russia’s reintegration into the globalized world in general.

Why Globalization is so Controversial: A Response to Its Impacts

In his seminal work, Globalization and Its Discontents, Joseph Stiglitz asks a fundamental question:

Why has globalization — a force that has brought so much good — become so controversial? Opening up to international trade has helped many countries grow far more quickly than they would otherwise have done ... globalization has reduced the sense of isolation felt in much of the developing world and has given many people in developing countries access to knowledge well beyond the reach of even the wealthiest in any country a century ago ... foreign aid, another aspect of the globalized world, for all its faults still has brought benefits to millions, often in ways that have almost gone unnoticed (Stiglitz, 2002: 4 – 5).

According to Stiglitz, the fundamental reason for such controversy stems once again from the tendency to view globalization, especially its impacts on individual societies, in terms that are too black and white. To its proponents, globalization, or more specifically economic globalization in the form of Western-style capitalism, is progress — “developing countries must accept it, if they are to grow and to fight poverty effectively” (Stiglitz, 2002: 5).

Globalization’s opponents, by contrast, tend to ignore the above-mentioned positives and vilify globalization. To them, globalization has not brought any of its promised benefits. Moreover, its obvious negatives are overlooked by globalization’s proponents (Stiglitz, 2002: 5).

In reality, globalization has produced both positive and negative results, though they have been highly uneven and concentrated among certain countries and regions. Some scholars argue that in the Third World globalization has increased the divide between the haves and the have-nots to such an extent that the number of people living in poverty has actually increased — by almost 100 million since the close of the twentieth century (Stiglitz, 2002: 5 and Tabb, 2002: 121-128). Globalization has also not succeeded in ensuring stability in certain countries. “Crises in Asia and Latin America have threatened the economies and

the stability of all developing countries ... globalization and the introduction of a market economy has also not produced the promised results in Russia and most of the other economies making the transition from communism to the market ” — instead of unprecedented prosperity, it has brought unprecedented poverty (Stiglitz, 2002: 6).

Western countries, by contrast, have enjoyed the bulk of the benefits from globalization. As Stiglitz notes, this stems from the fact that it is Western countries that are driving the globalization agenda, “ensuring that it garners a disproportionate share of the benefits, at the expense of the developing world” (Stiglitz, 2002: 6). This can be seen with respect to trade agreements between Western and developing countries. While Western countries have pushed poor and transitioning countries to eliminate trade barriers and subsidies, they have “kept up their own barriers, preventing developing countries from exporting their agricultural products and so depriving them of desperately needed export income” (Stiglitz, 2002: 6-7). Indeed, the net effect of these terms of trade has been to “lower the prices some of the poorest countries in the world receive relative to what they pay for their imports. The result is that some of the poorest countries in the world have actually been made worse off [by economic globalization]” (Stiglitz, 2002: 7).

Ultimately, the benefits of globalization have been so concentrated among a relative few that the price paid by the majority has been significant:

The environment has been destroyed, political processes have been corrupted and the rapid pace of change has not allowed countries time for cultural [and other] adaptation. The crises that have brought in their wake massive unemployment have, in turn, been followed by longer-term problems of social dissolution — from urban violence in Latin America to ethnic conflicts in other parts of the world, such as Indonesia (Stiglitz, 2002: 9).

Globalization in Poland and Russia

Stiglitz's claim that Western countries are driving the globalization agenda has particular significance when discussing overall structural similarities between Poland and Russia's experience with globalization. As de Boer-Ashworth indicates, Central and Eastern Europe's reintegration into the globalized system has rested on its relationship with certain Western and international financial institutions after 1991 (e.g. the International Monetary Fund, the World Bank, the European Union and the European Bank for Reconstruction and Development). This has had profound consequences for Poland and Russia's transition into the globalized world (Bjorkman, 2003: 1 and Millar and Wegren, 2003: xvii-xxvii).

In order for the post-Soviet countries to succeed in their transitions from communism and a state-owned economy to democracy and the free market, they needed investment capital and other support from these above-mentioned institutions (de Boer-Ashworth, 2000: 55-56). These major institutions, in turn, had a general agreement about how to approach the new situation in Central and Eastern Europe. Initially caught off-guard by communism's collapse, they subsequently maintained that these countries follow a rigid program of neo-liberal reform. In spite of the fact that the communist experience in Central and Eastern Europe had unique features (namely the state's all-encompassing involvement in politics, society and the economy), this "Washington Consensus" was based on the IMF's and other institutions' experiences in Latin America, where neo-liberal policies appeared to have successfully brought the countries there into the democratic and free-market fold (de Boer-Ashworth, 2000: 56 and Ottaway and Carothers, 2000: 3-16).

Such a neo-liberal approach to globalization has very distinct implications for societies once it is adopted, however. In general, "neo-liberalism builds on the convictions of classical liberalism that market forces will bring prosperity, liberty, democracy and peace to

the whole of mankind” (Scholte, 2000: 34). Thus, in the eyes of neo-liberals, the state should not interfere in any way with market forces. There should be minimal official regulation, state-imposed limitations on the movement of money, goods, capital and services should be abolished and state controls on prices, wages and foreign exchange rates should be removed. There also should be minimal state ownership of productive assets and considerable reductions in the state provision of welfare guarantees (Scholte, 2000: 34-35 and Sperling, 2000: 25-26).

These neo-liberal suppositions were built into the “shock therapy” program that the IMF and other institutions – in the form of loan conditions - insisted that Poland and Russia implement in the early 1990s. In rapidly adopting a series of macroeconomic stabilization policies (price liberalization, elimination of state subsidies and reform of the tax system), shock therapy sought to dismantle the administrative-command system of the communist economy and replace it with the capitalist market economies associated with Western democracies. It was hoped that these policies would control inflation and stabilize the two country’s economies, thereby encouraging foreign investment and monetary aid from international financial institutions as well as individual investors (de Boer-Ashworth, 2000: 58 and Wedel, 1998: 200).

Given the nature of the previous communist system, this neo-liberal approach to Poland and Russia’s “leap” into the globalized world (Bednarzik, 1990: 25) represented nothing less than a sea change in the organization of social relations within the two countries. Shock therapy was a complete reversal of the pre-1989 communist political and economic systems, and this had significant consequences for blue-collar workers in both countries. Yet, it is important to note that there has been considerable debate as to “how much” shock

therapy Poland and Russia actually enacted. Indeed, while the initial debate about shock therapy centered around the objectives of the reforms (organizational reform of the central planning system, market socialism or a pure market economy?), in the latter part of the 1990s it focused largely on assigning blame for shock therapy's "failure" — which in turn centered on questions of pace and methodology (Baylis, 1994: 174-175).

According to Baylis, on these questions "economists frequently were (and are) arrayed against politicians" (Baylis, 1994: 175). Economists tended to favor the shock aspect of shock therapy, in which fundamental reforms of virtually every aspect of life were introduced more or less simultaneously, on the grounds that all are interdependent and the (unavoidable) pains of transition are best addressed as quickly as possible (Baylis, 1994: 175). Politicians, by contrast, tended to be more inclined to urge caution, "often out of fear that the severe economic dislocations reform would entail would bring social and political turmoil and their own expulsion from office" (Baylis, 1994: 175). The initial model of the "proper" implementation of shock therapy reforms, which favored the economists' approach, was the " 'leap into the abyss' program proposed for Poland by the Harvard economist Jeffrey Sachs and adopted, under pressures of hyperinflation, by that country in modified form" (Baylis, 1994: 183). Russia soon followed suit in the early 1990s.

Explanations for why Poland and Russia (and most of the former Soviet Union) "failed" in their efforts at this shock therapy reform have since fallen along two lines. One "blames the resistance of the *nomenklatura*, former Communist (or Communist-appointed) officials who stand to lose influence and material benefits if reforms are successfully enacted" (Baylis, 1994: 181-182). The second explanation "stresses the partial and

inadequate character of the reforms thus far enacted; the only cure for the ills of reform, this view insists, is more reform, and in particular more privatization” (Baylis, 1994: 182).

Though it is mainly against Russia that the latter argument has been leveled, it is essential to recognize that the Polish, “Balcerowicz reforms were less comprehensive and less uncompromising than they were initially advertised as being” (Baylis, 1994: 183). In the Russian case, many Western proponents of shock therapy argued that the Russian version of the reforms:

were gradually phased out during 1992, or that it was never fully applied in its original design. Thus, in one of his postmortems on the failed stabilization effort, Jeffrey Sachs provides a list of six basic elements of ‘genuine shock therapy’ that were missing or belated in the Russian case. Some of these pertain to the scale and direction support for currency stabilization, budget deficit financing, and debt rescheduling (Reddaway and Glinski, 2001: 234).

Ultimately, the success or failure of the shock therapy measures in Poland and Russia depended less on the extent or pace of their implementation, but rather on the pre-existing performance of economic structures and the overarching communist system which organized Polish and Russian society in particular, unique ways. It is to an examination of this communist system and the extent to which it allowed for global interconnections that the next chapter turns.

Chapter II

Globalization and Workers in Communist Poland and Russia

In order to understand whether and how globalization affected workers in communist Poland and Russia, it is first necessary to outline a general picture of the relationship between

the former Soviet Union and the international community from 1945 to 1991. While most people think that the Soviet Union was completely cut off from the rest of the world after World War II, in reality the USSR's interconnections with the outside, non-communist world during this time changed according to the heating up or cooling down of the Cold War. Therefore, the beginning of this chapter approaches the question of globalization during communism from the macro-level, discussing the contours of East-West relations post-1945. The chapter then turns to an examination of globalization at the micro-level, describing the relationship between workers and the state in the two countries and to what extent global forces shaped this relationship.

The Macro-Level: Globalization during the Cold War

According to Baylis, the policy approaches of the non-communist countries toward the Soviet Union after 1945 fell "along a spectrum ranging from accommodation to Soviet control ... through the gradual transformation of that control into something less all-embracing and restrictive, to its total dissolution" (Baylis, 1994: 5).

Accommodationists were concerned most of all with maintaining the stability of East-West relations and as such thought a friendly, peaceful and non-confrontational approach to the USSR would more easily permit "political and economic liberalization within [the USSR's] borders" as well as economic and political cooperation between the two halves of the world (Baylis, 1994: 5). Dissolutionists, by contrast, favored uncompromising policies toward the Soviet Union "in order to raise the 'costs of empire to the USSR while that country simultaneously had to cope with the expensive task of responding to the American arms buildup and the uncertain threat of the Strategic Defense Initiative" (Baylis, 1994: 5).

The transformationist view:

sought to encourage incremental changes through a combination of carrots and sticks that did not frontally challenge Soviet interests or provoke uncontrollable turmoil in Eastern Europe. The goal ... was to loosen Soviet control gradually and expand the autonomy, personal freedom, and economic well-being of East-Europeans, while simultaneously reducing the hostility between East and West (Baylis, 1994: 5-6).

These overarching policy attitudes shaped Poland and Russia's links with the outside world from 1945 to 1991. The bipolar nature of the international system "colored not only security concerns" but economic, political, social and cultural approaches to globalization (de Boer Ashworth, 2000: 35).

At the same time, however, while these three policy approaches determined the USSR's overall interaction with the international community, the exact nature of the links between individual countries of the Soviet Union and the global political economy changed with specific changes in Cold War leaders and policies. Thus, even though the "Cold War and the Soviet Union's largely closed economic system would separate it from the Bretton Woods post-war international economic order ... and considerably limit the access of its countries to the international liberal economic order ... the interaction between East and West was stronger than one might presume" and the countries of the USSR and Central Europe were not entirely isolated from the global political economy (de Boer-Ashworth, 2000: 31-32). This can be observed most clearly when one compares the extent of Poland's integration into the global political economy from 1945-1991 with that of Russia's.

Poland

As de Boer-Ashworth indicates, despite the strong influence exerted by the Soviets over Central Europe in terms of military matters, "their control over the various economies was not strong" (de Boer-Ashworth, 2000: 40). Immediately after World War II, Poland

signed the Bretton Woods agreement and received a \$45 million loan from the World Bank even though it was now considered a satellite state of the Soviet Union. As Cold War tensions heated up in the mid 1950s, however, Poland withdrew its membership from the IMF and WB (Bjorkman, 1995: 90). In response, the Truman administration put sharp restrictions on trade with communist countries and forced the Western European countries to follow suit by implementing a Marshall Plan that required recipients to deny strategic exports to the communist European countries (Baylis, 1994: 46-47).

The return of Wladyslaw Gomulka to the leadership of the Polish communist party apparatus in October 1956 signaled the beginning of a political, economic and cultural thaw in these confrontational policies. Acceptance of Gomulka forced the Soviet leadership de facto, “to accept a degree of domestic liberalization unmatched at the time, the abandonment of agricultural collectivization, a measure of reconciliation with the Catholic Church, an expansion of cultural freedom ... and the establishment of workers’ councils” (Baylis, 1994: 49-50). This liberalization, in turn, opened the door for Poland to pursue closer (economic) integration with countries outside the communist bloc. Indeed, the country openly solicited economic assistance from the West (in the form of \$300 million in credits) in 1957.

The non-communist countries of Europe and the United States responded to this opening by loosening restrictions on exports to Poland and in 1960 President Eisenhower granted Most Favored Nation (MFN) status to Poland, “formally determining in the process that the country was not Soviet-dominated as understood under the Trade Agreement Extension Act” (Baylis, 1994: 50). While the lion’s share of imports and exports from Poland still went to the USSR, “at least a third of Polish trade in the pre-1989 era was with the EC and the European Free Trade Area (EFTA) countries” (de Boer-Ashworth, 2000: 40). These

changes in the relationship of Poland to the outside world also “implanted in the minds of many Western policymakers the understanding that Eastern Europe could no longer be viewed as a monolithic bloc dominated and controlled from one country” (Baylis, 1994: 50).

This “differentiated approach” to Poland was strengthened with the further cooling of Cold War tensions during *détente*. Under pressure from business interests concerned over their disadvantages in competition with the Western Europeans in Eastern European markets, for example, new American legislation “actively urged the expansion of trade with the East and sought to limit export controls.” (Baylis, 1994:53). The EC and Japan, in turn, concluded a series of comprehensive economic arrangements with Poland and other countries of Central Europe, which “included a system of quotas, bilateral agreements and quantitative restrictions” (de Boer-Ashworth: 2000, 41).

These new developments in the Western attitude toward Poland “coincided with a greatly increased interest on the part of Poland and most of the countries of Central Europe and the Soviet Union in importing Western goods and in utilizing Western credits” (Baylis, 1994: 54). While this did not signal Poland’s willingness to adopt a Western style political system, it did show its recognition that foreign capital through trade could increase the aggregate wealth of the country (de Boer-Ashworth, 2000: 40).

Ultimately, the period of *détente* saw Poland increasingly linking the fate of its economy (and by extension its society) not only with that of individual countries outside the communist bloc, but with the larger global political economy in the form of international financial arrangements. Indeed, this period was to “mark the beginning of heavy borrowing by many of the CEECs” (de Boer-Ashworth: 2000, 41). Despite its centrally-planned state and economic apparatus, then, Poland was “effected by and took part in the global economy

... and stagnation in the late 1970s and early 1980s was to signal the failure of Poland's [and many other countries of Central Europe and the Soviet Union] attempt modernize without significant political/government reforms" (de Boer-Ashworth, 2000: 41). These unique structural problems in turn were exacerbated by the global economic downturn that characterized the late 1970s and early 1980s.

The early 1980s saw a modification of these global economic links as the "Reagan administration came to power sounding an anti-communist rhetoric unmatched in the American executive since the early years of the Cold War" (Baylis, 1994: 56). When Poland imposed martial law in December 1981, the administration responded by imposing economic sanctions against both Poland and the Soviet Union. For Poland, this included the termination of credits for Polish agricultural exports, the suspension of its MFN status and denial of IMF membership for the country (Baylis, 1994: 57). Western Europe gave little support to these sanctions, but its relationship with Poland also subsequently cooled as a result (Baylis, 1994: 58). While the effectiveness of these sanctions can be disputed, the economic hardship they brought to Poland played a significant role in the ending of martial law and the granting of amnesty to most political prisoners in 1983. These concessions on the part of the Polish communist government, in turn, persuaded the administration to lift the sanctions (Baylis, 1994: 57).

By the end of the Reagan and the start of the Bush administrations, however, "the confrontational elements of Western policies toward [Poland and the other countries of the Soviet Union and Eastern Europe] disappeared almost entirely under the halo of the Intermediate-range Nuclear Force Agreement and successive Reagan-Gorbachev summit meetings" (Baylis, 1994: 58). In 1987, the American government restored MFN status to

Poland and “enthusiastic talk of expanded U.S.[and Western more generally] trade with bloc countries became respectable inside as well as outside” the USSR (Baylis, 1994: 59).

In the end, as de Boer-Ashworth notes:

although the political tensions between the East-West superpower blocs are well-documented, the economic isolation was not as stark as many have suggested. For Poland [and the other CEECs] the situation did not fit neatly into a textbook description of international relations where independent countries relate to each other in an anarchical global system. The CEECs were militarily dominated by the Soviet Union ... However, the CEECs were also being pulled into the Western system of global capitalism through their international borrowing and adherence to Western models of industrial progress (de Boer-Ashworth, 2000: 42).

Thus, while Poland’s incorporation into the Soviet bloc did circumscribe its ability to align its political and economic structures with those of the global community, it did not do so as completely as one might think. Even as its foreign policy and domestic political practices continued to be modeled on those in Moscow, Poland’s economic fortunes were increasingly determined by the nature of the global political and economic system. Indeed, in terms of Held, et. al’s distributional and institutional impacts, Poland’s changing relationship vis à vis this international system not only directly altered the costs of certain policy options (as seen with respect to martial law) but fundamentally changed the context in which such policy options could be carried out.

Russia

Russia’s relationship with the outside world during communism followed essentially the same pattern as that of Poland except that the quantitative and qualitative extent of its interconnections with the global political and economic system was considerably less given that Soviet leadership had much more direct control over the country. As mentioned earlier, while initially the international community treated all communist countries in the same

manner — restricting imports from and exports to the Soviet Union and eliminating any foreign assistance — once Yugoslavia was expelled from the Soviet Bloc and Gomulka assumed leadership in Poland, it began to pursue a differentiated approach to particular countries in the communist bloc (Baylis, 1994: 48-49).

Given that Russia was the major representative of the Cold War conflict on the Eastern side, this differentiation policy meant in practice that opportunities for the country to link up to the globalized system were few. Nonetheless, like Poland, Russia's need to:

acquire advanced means of production from the West meant that it had to export its natural resources in order to finance its essential imports of machinery ... by the Brezhnev period [when Poland and other countries of the bloc were also increasing their links with the West] Russia had become dependent on its exports of oil and gas to finance its imports of machinery, and even of food, and the reproduction of the Soviet system *depended increasingly on transactions on the world market* [emphasis added] (Clarke, 2003: 191-192).

Like Poland, it is important to note that the “opening of the [Russian] economy to the world market, and the corresponding political processes of détente, were by no means a sign of fundamental change in the [Russian/Soviet] system” (Clarke, 2003: 192). These changes did not signal Russia's willingness to adopt a Western style political system, but rather were the “means by which change was constantly postponed” (Clarke, 2003: 192). Once again, however, like Poland this isolated focus on economic integration could not last. When the terms of trade turned against Russia and its economy stagnated in the 1980s, this signaled the failure of the communist countries to modernize without undertaking major political changes. Therefore, such governmental reforms could no longer be postponed.

The Micro-Level: Workers in Communist Poland and Russia

Keeping in mind the macro-level extent of globalization in Poland and Russia from 1945 to 1991, this chapter will now turn to the unique relationship between workers and the state under communism. Once again, to fully appreciate how Poland and Russia's re-integration into the globalized world has changed workers' position in the two countries, an examination of their situation prior to the Soviet Union's collapse is absolutely necessary.

As noted by Derleth, "starting with the 1917 Bolshevik revolution in Russia and continuing with the liberation and then occupation of the region by the Soviet Army at the end of World II," Poland and Russia, like their Central and Eastern European neighbors, had to create matching (or as close to matching as possible) Soviet-style regimes (Derleth, 2000: 1). While this meant in practice the establishment of an authoritarian political system with individual social groups having only "ritual participation in national and local politics" (Kramer, 1998: 5), it also implied certain material benefits for workers: "state control over most aspects of life provided social mobility, universal education, health care and greatly improved living standards" for the great majority of workers. (Derleth, 2000:1). Indeed, by the 1980s:

The state-regulated system ensured that virtually all of the Soviet Union's citizens enjoyed a modest standard of living, job security, and price stability. Almost everyone had access to free education, health care, relatively early retirement, and diverse pensions and social benefits (Silverman and Yanowitch, 2000: 22).

In addition to providing these highly regulated social "safety" nets, the state organized relations within and between social groups in a very specific way:

The Communist Party claimed to represent [workers and other social groups] universally and to control everything. [Therefore], organizations were either brought under Communist Party control or liquidated. Thus, trade unions, professional associations and sports clubs ... were taken over by the Communist Party, while opposing parties were prohibited (Aslund, 2002: 24).

Such an approach to the organization of society meant for labor in Poland and Russia that trade unions, the traditional provider of a collective voice for workers both at the national, local and enterprise levels, served merely as “transmission belts” to ensure fulfillment of the Polish and Russian state’s political goals (Meier-Dallach and Juchler, 2002: 72). Rather than acting as organizations seeking to advance workers’ rights, then, communist-era trade unions “worked hand-in-hand with management and dealt with labor grievances purely on an individual basis” (Kramer, 1995: 5 – 6).³

Having acknowledged trade unions’ political collusion with the state, it is nonetheless important to note that during communism, blue-collar workers in Poland were “far better organized and more politically influential than their counterparts in [Russia and the rest of the Soviet Union more generally]. During each of the major political crises in Poland in the mid-1950s and the late 1980s ... workers played a central role” (Kramer, 1995: 74).

This central role of Polish workers stemmed from the above-described nature of globalization in Poland prior to 1991 (especially the existence of a sizable private sector in agriculture, some industry and services in country). As Kramer indicates, Poland’s specific relationship with the global political and economic system:

Placed Polish workers in a somewhat different position from that of workers in Russia [and other East-bloc countries], where central planning was more firmly entrenched. Some rudimentary features of a free-market economy were already present in Poland, and Polish workers had gained valuable experience in mobilizing for collective ends. Even in Poland, however, the idiosyncrasies of some forty years [of communism] could not help but take their toll (Kramer, 1995: 76).

³ It is important not to overstate the role of trade unions as communist party transmission belts, however. As political control in general loosened with the assumption of leadership by Nikita Khrushchev, trade unions were able to take on a more active (albeit still more limited than their counterparts in the West) role in representing workers’ interests and rights.

Just as Polish and Russian workers had a distinctive relationship with the state under communism, they had an equally characteristic one vis à vis the economy. The economy during communism was organized on the basis of central planning, which meant that the state apparatus itself determined physical production targets for all major goods and major enterprises (Aslund, 2002: 25). This “managed” economy thus had profound consequences for workers and the nature of the labor market in both countries prior to 1991. One major effect of central planning on the Polish and Russian labor markets, for example, was an excessive demand for labor. As Kramer indicates, even though “unemployment in Poland [and the other countries of the Soviet Union] was illegal and officially non-existent during the communist era, labor hoarding and disguised unemployment were pervasive” (Kramer, 1995: 76). This excess demand, in turn, led to an extremely low geographic mobility of the work force in both countries. It also encouraged low labor efficiency and productivity.

Ultimately, as Kramer indicates, the communist labor market structure in Poland enabled:

Most employees of Poland’s state-owned enterprises to get by with very lax work regimes, and many did not bother to show up for work at all, knowing that they stood little or no risk of being fired ... the low productivity of Polish labor and the disproportionate emphasis that central planners traditionally gave to heavy industry, skewed the whole structure of the Polish work force, leaving it with greater concentrations of employment in agriculture and industry than would be found in an average Western country (Kramer, 1995: 78).

The same can be said for the labor market in communist Russia. Indeed, the labor market structure in Russia was so equally dysfunctional that it led to the now famous Russian adage: “They pretend to pay us and we pretend to work” (Christensen, 1999:122).

In addition to this guaranteed job security, many state enterprises, through the main communist-era trade unions (OPZZ in Poland and VTsSPS in the Soviet Union), provided

“cheap housing, child care, vacation opportunities, inexpensive food, and other subsidies. A system of administrative prices made basic necessities such as food, children’s clothing and housing, public transportation, and cultural activities affordable” (Silverman and Yanowitch 2002: 22). These “carrots” effectively tied workers to their enterprises, discouraging them from seeking employment elsewhere for fear of losing much-needed social benefits.

Overall, the life of a Polish and Russian worker under communism was one characterized by (relative) security. While workers’ political rights were largely circumscribed by weak trade unions and an authoritarian system of governance, the welfare nature of the state apparatus coupled with the structure of the economy — specifically the extent of each country’s links with the global political economy and the structure of the labor market — provided workers in both countries with lifetime employment and steady wages (for a modicum of actual physical labor). Extensive social safety nets, in turn, ensured workers’ acquiescence to the system, and guaranteed that they would be tied not only to their particular enterprise for social benefits but also to the larger, national-level government. Clearly, then, the fusion of politics, economics and society was as complete as it could be in Poland and Russia prior to 1991. The advent of shock therapy and the speeding up of the drive to reintegrate the two countries into the global system promised to change this reality.

Chapter III

“We Will Not Catch Up to Europe if We Build a Strong Union”:

Globalization, Workers and Politics in Post-Communist Poland and Russia

As mentioned in the theoretical chapter on globalization, institutional impacts emphasize the ways in which “organizational and collective agendas reflect the effective choices or range of choices available as a result of globalization. Globalization can reconfigure the institutional agendas and invite innovation” (Held, et. al, 1999: 18). In the sphere of politics, this is exactly the type of impact that globalization has had on workers in Poland and Russia. After examining the relationship between workers, trade unions and the respective state governments in these two countries, this chapter will demonstrate that globalization has directly influenced the political choices that the governments and trade unions there made vis à vis workers. Globalization provided not only the political model, but also the rhetorical language around which the Polish and Russian governments reorganized their relationship with workers after the break-up of the Soviet Union.

At the same time, however, while the models reflected the alternatives available as a result of globalization, how they actually played out in practice was shaped by the particular confluence of political, economic and social forces in the two countries after 1989 (Poland) and 1991 (Russia). Indeed, the way in which the models have manifested themselves in Polish and Russian society indicates, to use the words of Clarke and Ashwin, that their adoption by the respective governments marked a “break more in the rhetoric than in the substance” of worker-state relations (Clarke and Ashwin: 2003, 135).

In today’s Poland and Russia, then, labor’s political “voice” is extremely weak, which stems from the fact that labor has been purposely “created” weak by political leaders in both countries (Crowley and Ost, 2003: 228). This move on the part of political leaders, in turn, is the result of adopting a model with little understanding of how the particular labor histories of both countries would influence it. Therefore, while on the surface the relationship between

workers and the state appears to have changed dramatically as a result of globalization, in reality workers' interactions with global forces at the political level remain strongly affected by the legacies of the communist past. Workers, in turn, remain politically weak.

Poland

In discussing how globalization affected Polish workers in the political sphere, it is necessary to give a brief outline of the trade union models that have developed as part of labor movement theory. For, as David Ost convincingly argues, Poland's adoption of one of these models in the late 1980s – a direct result of the country's drive to reintegrate into the global political and economic system - was particularly damaging to Polish workers' ability to effect political change. The decision to take up this model of trade unionism was based on a particular ideological understanding of global capitalism that was inappropriate for the Polish post-communist context, and as such, it produced an outcome that marginalized labor instead of empowering it. It was only after Polish trade unions began to move away from this model and toward a strategy that was better informed by Poland's pre-1989 labor history that workers began to rebuild their political voice in the country.

In response to global trends of declining trade union influence and membership, two models of trade unionism have recently been proposed by labor theorists as the key to revitalizing labor. The first involves a “new organizing model” – that is, it entails finding innovative ways to recruit new members. The second, known as social movement unionism (SMU), involves working with “allies outside the workplace and making unionism part of a broader struggle for social justice ... both are subsets of the more general tendency of political unionism” (Ost, 2002: 33). More specifically, the argument of the organizing model is that unions today can only succeed when they conduct an “aggressive grassroots rank-and-

file strategy focused on building a union and acting like a union from the very beginning ... unions today, the argument goes, must work *with* members, not just for them” (Ost, 2002: 39).

Such an organizing model present problems when applied to the post-1989 Polish context, however because of the way in which workers and trade unions interacted prior to communism’s collapse:

[Workers’] prior experience was of de facto obligatory union membership, [thus] even union officials felt that freedom *from* trade unions constituted an important working class victory [after 1989]. Rank-and-file workers, of course, felt this even more. This did not mean that personal contact had no place at all ... but the point is that the success of an organizing model depends on the nature of prior experiences. Aggressive organizing may work when employees feel they have been ignored by unions. But when employees have a history of feeling overly patronized by unions, it makes little sense that organizing will seem secondary to servicing (Ost, 2002: 38).

The social movement unionism model is equally problematic because it involves “going beyond the factory gates with demands that include broad social and economic change ... the emphasis is on broad public involvement for radical social change” (Ost, 2002: 40). This type of model assumes that unionists are committed to advancing the interests of workers, but this is not the case in Poland (or in Eastern Europe more generally) because “many unionists became involved in unions [during communism] *only* because they were interested in broader social issues” (Ost, 2002: 40). Moreover, “SMU theorists want strikes over factory issues to slide seamlessly into struggles over larger community issues, but in Eastern Europe what appeared to be strikes over factory issues *turned out* [after communism’s collapse] to be strikes *only* over larger community issues, such as freedom of speech and association ...” (Ost, 2002: 41).

The problem with both of these models of trade unionism, then, is that they are based on previous experiences in (mostly) Western countries, which are inappropriate for Poland and Eastern Europe more generally given their communist past. As should be clear from the preceding chapter, “unions in communist society were something quite different from [those in the West] and thus the unions that are evolving out of that society need to be understood in that context instead” (Ost, 2002: 41).

In particular, Communist-era trade unions were “servicing machines par excellence,” and this became one of the oppositionists’ prime targets in the late 1980s because “even where it worked well, it was intrinsically connected to paternalist authoritarianism, inseparably linked with political repression” (Ost, 2002: 42). In addition, the leaders of communist-era trade unions never saw:

their unions as defending workers in particular against any other organized social interests, except that of the Communist Party. The realities of capitalist class society seemed too far in the distance for these unions to contemplate seriously, and the realities of communist society were that it was hard to separate workers’ interests from the interests of other social groups ... not only did everyone objectively become a member of the working class ... but anyone could claim subjective membership as well (Ost, 2002: 42-43).

This has meant that the trade unions that emerged from the post-communist societies of Eastern Europe in the late 1980s and early 1990s saw themselves as representatives of universal interests, not of particular labor interests. As such, they represented a “communist-structured working class very different from and larger than the one that emerges in capitalist society” (Ost, 2002: 43).

In spite of these unique features, however, when communism collapsed in Poland there was a singular focus on the social movement model of trade unionism. Certainly, this concentration on SMU had some recent, historical antecedents (namely, the immense reach

and popularity of Solidarity), but it stemmed mainly from Polish political leaders' (mis)understanding of the role that labor, and its political representatives, trade unions should play in a democratic, market-oriented society. Solidarity leaders had looked at their pre-1989 movement as one devoted to toppling communism (Meardi, 2000: 101 and Osa, 2003: 166-168). Now, post-1989, they viewed it as explicitly about building a neo-liberal capitalist order, as this was the prevailing international model (Terry, 2000: 7-10). In practice, this meant for Solidarity's leaders an increasingly less significant role for workers because workers had been the ideological foundation of the previous political system. It is important to note, however, that the trade unions truly believed that "creating this type of a capitalist system was in the interests of workers" (Ost, 2002: 45).

When Solidarity came to power in late 1989, therefore, it advised against the formation of strong trade unions: "we will not catch up to Europe if we build a strong union", Solidarity leader Lech Wałęsa told a union executive committee in September 1989 (Ost, 2002: 45). To underscore their commitment to this vision of labor relations, Solidarity and other labor leaders definitively turned away from the servicing model of trade unionism they associated with the communist past. Instead, based on their above-mentioned understanding of what constituted a "proper" capitalist society and on the advice of international trade union activists and the ILO, the Solidarity leadership set out to implement an SMU model of trade unionism (Ost, 2002: 45).

The decision to adopt this particular, globally accepted political model of trade unionism had almost immediate and significant consequences for workers. Solidarity leadership proceeded to endorse a shock therapy and privatization bill that limited union influence at the workplace and told workers and their trade unions that the "main aim of

unions today was to help employees get accustomed to the new economic relations”

(Kulpinska, 2004: 10). As Ost indicates:

when government policies aimed explicitly at empowering a capitalist class and weakening the privileges of labor made [a servicing model of trade unionism] necessary, such an evolution was blocked – not only by the institutional pattern that had already been set, but also by the neo-liberal predilections of the union’s leaders (Ost, 2002: 46).

Ultimately, the Solidarity leadership (as well as many Polish intellectuals) saw “unions as not only no longer necessary for fighting communism, but as inappropriate to capitalism. Their flagship journal, *Gazeta Wyborcza* ... regularly presented unions as institutions of the past capable only of jeopardizing reform” (Ost, 2001: 83). Instead of being servicing agencies “par excellence,” then, trade unions were now expected to pursue a purist form of free-market ideology “that had little to do with the realities of the Europe they hoped to join” (Ost, 2001: 83).

Servicing also declined at the workplace. Solidarity’s regional unions abandoned and/or discarded enterprise assets such as housing, vacation homes and spas, opposed the old payments-in-kind for simple retail distribution and discouraged addressing workers’ grievances “in line with its emphasis on expert authority and its deep-seated belief that a workforce long disciplined (loosely) by communism needed to be profoundly shaken up” (Ost, 2002: 46). Local activists, for their part, were also reluctant to provide services (except to monitor lay-off procedures), and saw employee participation in enterprise governance as contrary to the principles of the market economy that they were trying to implement. Despite a long Polish tradition of strong employee councils elected by the workforce, only one-fifth to one-third of local union officials believed that some form of employee councils should continue to exist at the workplace (Ost, 2002: 46-49).

It is important to note that there are other reasons for trade union weakness in Poland. To begin with, trade unions have become weak and fragmented in the post-1989 environment because the “chief political grievance of the past forty years, which had so often spilled over into ... widespread labor unrest, [is] no longer present after 1989. More than anything else, Poland’s subordination to the Soviet Union ... denied any hint of legitimacy to the Polish communist regime” (Kramer, 1995: 107). The consensus that resulted (around the need to abandon communism) strengthened the Polish government’s mandate. Thus, it was initially able to implement the above-mentioned changes with little dissent from workers or any other social group.

In addition to widespread support for moving away from communism, the “fragmentation of the Polish labor force and of the post-communist trade unions [has] forestalled the emergence of a cohesive, nationwide workers’ movement akin to the Solidarity movement of 1980-1981” (Kramer, 1995: 108). Though, as mentioned, servicing has declined at the enterprise-level, the reformed version of the old communist-era trade union (OPZZ) does maintain at least a minimal level of property and social security distribution functions there and this has allowed it to:

Take up much of the ‘institutional space’ for unionization. Workers stay on the membership roles and tolerate the union because they need the benefits its functionaries dole out, but union leaders enjoy very little authority or loyalty among the rank-and-file (Cook, 1995: 116).

Solidarity and other independent trade unions formed after communism’s collapse have also failed to adequately address workers’ needs in the post-1989 Poland. As Cook notes, independent unions have been hurt by their association with the reformist government, which workers see as the bearer of their economic and social problems⁴. This “inevitably has

⁴ See Chapters IV and V

produced conflicts between their politics and their role in defending workers ... emergent independents also suffer from basic organizing problems: inexperienced leadership and few resources ... as a consequence, most independent trade unions remain very small, localized and nearly powerless” (Cook, 1995: 16-17). Polish trade unions, therefore, have proved unsuccessful at providing workers with a real political voice since 1989. This fact has only compounded the economic and social fall-out from the transition to the global system⁵.

What has been the end result of this reorganization of labor relations in Poland? - A massive decline in union membership and a general political crisis for Polish workers. Gardawski finds that there are barely “any trade unions in new private firms, that they are undergoing steady erosion in transitional firms and that only in obsolescent state firms are they holding their own. Union membership has remained strong in the public sector ... while in the productive new sectors of the economy, unions barely exist at all” (Gardawski, 1999: 65-66). Ultimately, “the reformed Polish economy is becoming a non-unionized economy” (Ost, 2002: 46).

As Ost notes, however, not all scholars agree that Poland’s focus on neo-liberalism and the SMU trade union model has been so politically damaging for labor. Some have argued that unions have been able to use their political access to moderate the impact of shock therapy, while others claim that Solidarity’s political impact led to a less corrupt privatization process. A few even argue that Solidarity’s parliamentary representation allowed it to have greater input in the shaping of labor legislation (Ost, 2002: 47). Yet, the problem with this view is that:

it takes union weakness for granted, and posits *a priori* the inevitability of anti-labor policies ... *if* official policy is to cut labor influence in society and economy, then of course it is better to have political allies than not.

⁵ See Chapters IV and V

However, if we allow that such policies were not the only ones possible, then the fact that they were adopted without protest is itself a sign of union weakness. Political unionism has been devastating because it has prevented labor from even forcing a discussion of alternative policies (Ost, 2002: 47).

It seems that Polish trade unions are slowly starting to realize just how distressing their political SMU policy has been for labor. This awareness has been prompted primarily by widespread worker dissatisfaction with the government. In 2001, Polish trade unions began the largest union organizing drive of the post-communist era, focusing on the private enterprises that they had neglected in the past (Ost, 2002: 49). Perhaps most importantly, in May 2001, the Solidarity National Committee decided to withdraw from the governing SEA coalition – “with this one step, the union cutting its formal institutional link to the ruling government party” (Ost, 2002: 48). What followed has been a new focus on what trade unions can *do* for labor rather than with them. It has been, in other words, a new focus on “servicing” (Ost, 2002: 49).

In the end, the Polish case illustrates that the reason why labor is weak in the country, at least in the political sphere, stems primarily from the ideological hegemony of neo-liberalism.⁶ In other words, Polish leaders’ singular focus on building a “neo-liberal capitalist order,” which was a direct result of their interactions with and understanding of global political norms, structured labor’s participation (or, more correctly, non-participation) in the political sphere such that workers emerged (or were “created”) weak.

At the same time, however, one must recognize that while globalization provided a particular model of trade unionism, how the model played out in practice was shaped by the specific past communist experience and ideological characteristics of the Polish context. As should now be clear, Polish labor was skeptical about unions from its experiences with

⁶ This will be explained in the next chapter.

communism. Therefore, “the new elites [in Poland and Eastern Europe more generally] led the struggle against communism with conceptual narratives that identified communism’s exaltation of the working class as part of the problem that needed to be redressed. [When communism collapsed] many Solidarity unions then accepted the prevailing neo-liberal discourse that marginalized labor” (Ost and Crowley, 2001: 229).

Thus, global ideological factors explain the political weakness of workers in Poland. The current rejuvenation of unionism, in turn, has been possible only because of an understanding of the importance of these factors. As Ost indicates:

[the Polish experience] suggests that it is the abandonment of servicing and the embrace of social movement unionism that has driven members away. What successful unions are beginning to do differently today is to make clear that they seek to represent labor’s interests in capitalist society, not lead to a social movement fighting a former kind of society (Ost, 2002: 50).

Russia

As in Poland, globalization directly influenced the political choices that the Russian government made regarding workers in the country. Also as in Poland, in practice those particular choices were shaped by the interaction between the country’s communist legacy and the global ideological domination of certain models of political organization (for society in general and workers in particular).

According to Clarke and Ashwin, one of the defining characteristics of the post-communist Russian labor movement “has been its adherence to ‘social partnership’” (Ashwin and Clarke, 2003: 132). At the national level, this commitment to *sotsial’noe partnerstvo* manifested itself in the form of the Tripartite Commission for the Regulation of Social and Labor Relations (RTK). Anxious to make his reform program appear democratic to the

Western governments from which he expected political and monetary support, former Russian President Boris Yeltsin instituted the RTK in late 1991. The commission was supposed to serve as a forum for negotiation between representatives of labor (i.e. trade unions), government and management, and each year it was expected to negotiate a “General Agreement” on issues like income, employment and labor standards, as well as help to resolve labor disputes if they arose (Christensen, 1999: 122).

The 1990 Founding Congress of the FNPR, emphasized further this commitment to social partnership when it adopted a resolution defining the basic tactics of trade unions as:

Involving the negotiation of general, tariff and collective agreements, to be backed up by demonstrations, meetings and strikes ... this is an extensive program for the formation of social partnership as a particular type of social-labor relations, an effective mechanism of civilized regulation of those relations (Ashwin and Clarke, 2003: 132).

What is significant about Russia’s orientation toward social partnership for this study is from where the idea originated. As noted by Ashwin and Clarke, the doctrine of social dialogue has “long been a staple of the International Labor Organization (ILO)”, and the ILO has been assisting Russia (and other countries of Central and Eastern Europe) in transforming its labor relations along a more Western basis since the early 1990s (Ashwin and Clarke, 2003: 132). While the FNPR officially downplays the role of these outside forces and instead argues that the notion of social partnership has a long history in Russian labor relations,⁷ individual Russian trade union activists say otherwise. Vladimir Kiselev, the head of the department of social partnership and the trade union movement at the FNPR’s Academy of Labor in Moscow, “argues strongly that social partnership did not exist in the past since the

⁷ Official FNPR documents claim that “in conditions of centralized administration of the economy with only state property, social partnership between enterprise administrations and different forms of worker participation in the administration of production existed in the USSR” (Ashwin and Clarke, 2003: 133).

leading role of the Communist Party in the Soviet Union meant that equality of rights (*ravnopravie*) between the parties was impossible” (Ashwin and Clarke, 2003: 133).

Similarly, Galina Strela, the head of the department of social-labor relations and defense of workers’ economic rights at the FNPR states that:

First of all, I must say we came up with practically nothing new in the theory of social partnership. In principle we adhere to the ideology, which has been developed by the International Labor Organization. In our country, of course, in our past practice there were several differences – although there were agreements, collective agreements were concluded, the practice was different. Why? Because all labor relations were regulated by law. Strict legal regulation (Ashwin and Clarke, 2003: 134).

Therefore, while elements of social partnership may have existed in Russia prior to the break-up of the Soviet Union, *sotsial’noe partnerstvø* represented a qualitatively new idea after 1991. As will become clear, it was an idea based at least in theory on true equality of rights as well as negotiation and compromise between the state, employers and trade unions.

Having acknowledged the influence of the ILO, then, what do “Russian trade unions mean by social partnership and how does it differ from their past relationship with the Party-state” (Ashwin and Clarke, 2003: 134). As Ashwin and Clarke highlight, in Russia, social partnership is used to refer not just to the network of negotiations and agreements which have developed in post-communist Russia but to a particular “ideology aimed at social peace and harmony” (Ashwin and Clarke, 2003: 134-135). The key distinguishing feature (and that which makes it appear different from past Soviet practice) is that it is supposed to be based on equality of rights of the social partners – “neither government nor employers should be able to dictate the terms and conditions of labor, but should conclude agreements with the full participation of trade unions.” In exchange, the trade unions “offer the other social partners social peace” (Ashwin and Clarke, 2003: 135).

In practice, however, this focus on “social peace” has meant that social partnership is primarily understood in Russia as a method of conflict *avoidance* rather than as the social *dialogue* envisioned by the ILO and countries such as Germany and Sweden, where social partnership is a cornerstone of state-labor relations. Indeed, in his February 2000 report to the meeting of the General Council attended by current Russian President Vladimir Putin, FNPR leader Mikhail Shmakov stated that “trade unions consider a strike to be a ‘failure’ of social partnership. *Either social partnership or class struggle* (original emphasis; Ashwin and Clarke, 2003: 135). As another leading FNPR activist put it, “social partnership is our main method and form of work. To move from confrontation to negotiation. The process of negotiation is the basis of our activity ... to transform all conflictual situations into negotiations, to sit around the table and come to an agreement” (Ashwin and Clarke, 2003: 135).

The use of social partnership in Russia, then, is a particular adaptation of the ILO and other international organizations’ idea of social dialogue. Rather than encouraging dialogue, “full equality of rights” among social “partners” has translated in the Russian context to a weak labor force instead of a politically empowered one. This is even more apparent when one looks at the actual activity of the RTK.

As mentioned above, the RTK was established by former President Yeltsin in early 1991 in an attempt to appease the Western governments and international organizations from which he expected political and monetary support. Of the fourteen seats allotted for trade unions, the FNPR, the successor to the communist-era trade union, received nine. Three independent unions, Sotsprof, the Independent Miners’ Union (NPG), and the Independent Union of Civil Aviation Pilots each received three, one and one seats respectively.

In theory, and according to the above-mentioned ILO understanding of the notion of social partnership, the RTK should have fostered an environment of conciliation and partnership between labor and the state. But ultimately in both design and execution, the RTK has served as a “means of neutralizing workers’ organizations” and has undermined any hopes of political representation for workers (Clarke, 1993: 185). Western notions of social partnership took years to develop, and the necessary prerequisites for it to work properly in the Russian context were missing. Social partnership “assumes the presence of broadly organized, acknowledgedly legitimate labor unions,” but such labor unions are not available in Russia (Cook, 1997: 58). The FNPR, while numerically the largest trade union and the one with the most property and resources because of its connection to the communist past, is also the least legitimate trade union as a result. By contrast, the independent unions are the most legitimate trade unions (having arose from the strikes of 1989 and 1991), but are resource-poor. While the FNPR wants to retain its primary role as distributor of those resources, the independent unions look to the commission as a means to challenge the FNPR’s dominance (Clarke, 1993: 183). Already in conflict upon entering into the RTK, then, by allotting the majority of labor’s seats to the FNPR Yeltsin assured that the unions would remain so. The unequal allocation of seats serves to legitimize the least legitimate of the trade unions, and given their lack of resources and small size at the national level, the independent unions cannot challenge that distribution. This has all served to undermine the effectiveness of the commission and guarantees that the RTK will never be truly representative of workers’ interests.

The overall weakness of the rule of law in Russia has made the development of this institution equally problematic, as those in authority “often feel little obligation to comply

with the law” (Cook, 1997: 5). In the particular case of labor, the government has often reneged on or ignored the agreements that it has made with trade unions. There have been frequent charges of bad faith, as the government representatives have often skipped meetings or circumvented the trade unions when preparing legislation. If agreements are reached, they are often incredibly vague and outline few concrete responsibilities (Cook, 1997: 5 and Javeline, 2003: 190). This has left much room for violation and confusion, which is only compounded by the fact that the agreements lack “any effective enforcement mechanisms” (Christensen, 1999: 123). Clearly then, the Tripartite Commission has not served as an effective “social partnership” for labor relations. It is restrictive in its representation and recalcitrant in its duties, thereby undermining its ability to serve as a voice for labor. Thus, labor remains a weak political force in Russia.

Certainly there are additional explanations for why labor is weak in Russia besides the application of a “one size fits all,” globally inspired model of social partnership. To begin with, the labor laws that Yeltsin instituted in the early 1990s also helped to undermine labor’s political opportunities. The first of these laws, “On Professional Unions, Their Rights and Guarantees of their Activities” outlined the right to establish trade unions. It stated that enterprises must facilitate the formation of trade unions and protected trade union leadership from retaliatory tactics by management (Cook, 1997: 35). In practice, however, violations of this law are rampant. Management often harasses those workers looking to establish trade unions and even attempts to obstruct their creation by delaying the union formation process. If a union does become established, management often reacts by transferring or dismissing leaders of the union, or denying the union benefits and resources (Cook, 1997: 35).

The two other labor laws instituted in 1991 and 1992 are “On Collective Contracts and Agreements” and “On the Procedure for Resolving Collective Labor Disputes.” “On Collective Contracts and Agreements” outlined the procedures for concluding collective labor contracts at enterprises. Trade unions have the right to initiate contract talks and management must listen to their demands. If a new contract is established, there are fines if either management or workers violate its provisions (Cook, 1997: 37). Once again, however, abuses of this law have been frequent. By threatening to withhold wages and other delaying strategies, management provides a powerful disincentive to workers who seek contract negotiations (Christensen, 1999: 128). In enterprises with multiple trade unions, the law mandates that unions work together to draft a joint agreement to present to management. Given the trade union conflicts discussed earlier this is an unworkable requirement, and management has exploited that reality by playing the unions off one another (Christensen, 1999: 128).

The third labor law enshrined the right to strike, but in a much more restricted sense. The procedures for calling strikes are lengthy and complicated, creating confusion and uncertainty. In addition, there are limits on strikes in particular sectors of the economy based on a vaguely defined notion of “public safety.” The law states that “strikes are illegal for members of the armed forces of the Russian Federation, for law enforcement agencies, and for the Federal Security Service if this creates a threat to the defense of the country or the security of the government” (Christensen, 1999: 129). Obviously, this leaves much room for interpretation and theoretically could allow the Russian government to “declare illegal any strike that it deemed to be against the national interest” (Christensen, 1999: 129).

Stephen Crowley also offers several reasons for labor weakness in post-communist Russia. As he notes, given the above-mentioned lack of political opportunities for labor, most workers are engaging in “individual-level ‘exit’ strategies rather than using collective ‘voice’ to improve their well-being (Crowley, 2001: 201). Though there certainly are strikes in Russia, when broken down by sector it is evident that very few strikes occur in any industry other than coal mining. This seems to suggest that workers feel that they can have little impact politically, and indeed “labor as an organized interest is practically nonexistent in Russian society (Crowley, 2001: 202).⁸

Crowley also points to the fact that trade unions remain doubly dependent on both management and the state as a cause for labor weakness. As will be discussed at greater length in subsequent chapters, at the enterprise level managers in many cases remain trade union members, as they were in the communist era (Crowley, 2001: 207). So too, unions “continue to serve as the distributors of social services and in-kind benefits, which were once funded by the state and now, if they exist at all, are provided by management” (Crowley, 2001: 207). At the national level, as mentioned, the FNPR remains dependent on the state – “while social insurance is supposed to be administrated by a government agency, a large part by default is still distributed by the FNPR ... the Russian government has used this dependence successfully to keep the FNPR in line” (Crowley, 2001: 207-208).

The end result of this dual dependence on management and the state is that trade unions remain ineffectual in pressing demands against management or the state and “given the long and continued legacy of [unions] being an arm of management for the provision of

⁸ The lack of strikes in Russia can also be a result of workers’ weak position in the labor market since 1991. As Crowley puts it, “how to strike when there is no work?”(Crowley, 2001: 202). This will be explained in the following chapter on economics.

goods and services, workers do not look to them to defend their rights” (Crowley, 2001: 207).

Finally, Crowley finds that even if workers *wanted* to organize politically they would not have the necessary framing mechanisms around which to do so. Since class and specifically workers were the ideological foundation of the Soviet Union, when it collapsed so to did class as an organizing principle (Crowley, 2001: 211-213). Even though workers continue to face a “class predicament” -- with falling incomes, unemployment and massive wage arrears -- because of its association with the communist past appeals made on a class basis have been greatly discredited (Crowley, 1997: 189).⁹ The problem that this creates for workers’ ability to politically organize is compounded by the fact that any kind of socialism has also been de-legitimized – even the idea of “social democracy.” With class and socialism off the agenda then, the framing mechanisms available for workers have been greatly reduced. It is a true “crisis of ideas,” and workers and their trade unions are left with nothing to offer as an alternative, unifying ideology (Liesman, 1997: 5). This, ominously, leaves workers open to the “appeals of authoritarian populism and nationalism,” which could challenge hopes for democratic consolidation in Russia (Weir, 2001: 6).

In the end, then, while globalization provided the initial model around which the Polish and Russian governments organized labor relations after communism’s collapse, how the model actually played out in practice politically was a result of each country’s specific history of labor relations during communism as well as their understanding of the global political and ideological norms. At the same time, however, while Crowley and Ost claim that:

⁹ Once again, the specifics of this “class crisis” will be discussed in the following chapter.

One might still argue that labor appears weak and its response is so limited [in Poland and Russia] not because of factors unique to post-communist societies but because of [globalization] ... the point is not so much that labor has been *weakened* since 1989/1991 (it is difficult, after all, to say that a movement without the right of independent political representation was strong), but that it has been *created* a weak actor. Thus, unions [and labor more generally] in Eastern Europe confront the new global economy not from an initial position of strength but of weakness (Crowley and Ost, 2001: 228).

In reality, labor weakness in Poland and Russia is a result of globalization. As mentioned earlier in the section on Poland, the global ideological hegemony of neo-liberalism structured labor's (non-participation) in the political sphere in both countries. The idea that workers have been created weak is simultaneously a political, economic and social issue, which globalization has clearly reinforced. Ultimately, the impact of globalization on workers political points to the fact that "*globalization is, in short, a political ideology as much as a social phenomenon*" (emphasis added, Munck, 2002: 55).

Overall, and as a result of this political orientation, workers in Poland and Russia have been unable to shape the conditions of their work or public policy in accord with their interests. This is particularly distressing given how global economic forces have influenced workers' opportunities for employment and transformed the labor market. These issues are explored in the next chapter.

Chapter IV

“Cathedrals in the Desert?”: Economic Globalization and Workers in Post-Communist Poland and Russia

As mentioned in the introduction, neoclassical ideas and a belief in the restorative power of the free market underpinned Central and Eastern Europe's reintegration into the globalized system. Dependent on investment capital and other support from international lending institutions like the IMF and the EBRD to modernize, the Polish and Russian governments adopted the "shock therapy" of neo-liberal economic reform that such institutions advised. Leaders in the two countries worked to establish minimal official regulation, abolish state-imposed limitations on the movement of money, goods, capital and services and remove state controls on prices, wages and foreign exchange rates. They also began to reduce state ownership of productive assets as well as the state provision of welfare guarantees (Scholte, 2000: 34-35). Once these goals were achieved, it was believed that foreign direct investment (FDI) would increase in the two countries, bringing with it new technology and the business practices associated with modern, capitalist economies.

This chapter will illustrate that the impact of these policies on workers in Poland and Russia has been largely "distributive" and primarily negative (Held, et. al., 2001: 19). The economic policies followed in the two countries have reconfigured the power and wealth of workers in such a way that their sense of job security has decreased and wages have dropped precipitously. In both countries globalization has produced new forms of enterprise ownership over which workers have had little influence. It also encouraged privatization strategies that actively sought to marginalize the role of workers in enterprises. In Poland, however, these policies simultaneously changed the external environment in which Polish enterprises operated and the internal relationship between workers, management and trade unions within individual enterprises. In Russia, by contrast, while these policies also

significantly altered enterprises' external environment, they had little impact on their internal organization.

Poland

As should be clear from chapter two, Poland began a process of closer integration into the global economy long before 1989. It did so, however, just as “the character of the world economy was changing, giving an increasingly privileged position to transnational corporations (TNCs). The interplay of all these forces [of change] would effectively determine the pattern of the new form of capitalist development that Poland was undertaking.” Indeed, with the help of two specific twin forces – FDI and privatization – TNCs are driving the restructuring process in Poland in such a way that, as in the political sphere, workers are increasingly disempowered and marginalized (Hardy and Rainnie: 1996, 247, Swain and Hardy, 1998: 587 and Hardy, 1998: 640-641).

To understand how Poland's economic reintegration into the global system has been shaped by the activity of TNCs, requires first of all an understanding of how the global economy has changed in recent years. As Hardy and Rainnie indicate, patterns of international economic integration were traditionally determined by patterns of trade. The 1950s and 1960s saw a huge increase in world trade, and economies were “locked in via this shallow integration. In addition, integrated international production by TNCs grew in importance, with its structure determined by the pattern of FDI” (Hardy and Rainnie, 1996: 97 and Selowsky, 2002: 248-250).

More recently there has been an explosion of FDI and the number of TNCs and their foreign affiliates have expanded enormously:

Transnational corporations are a powerful force binding national economies together through complex corporate strategies and intricate network structures, engaging in international production characterized by a sophisticated inter and intra firm division of labor. As a result one-third of the world's private sector productive assets are under the common governance of TNCs (Hardy and Rainnie, 1996: 97).

This rapid increase of TNCs and FDI throughout the world has also been accompanied by a move away from investing in resource-based manufacturing towards services and technology-intensive manufacturing (Hardy and Rainine, 1996. This suggests, as Hardy and Rainnie point out, “a decline in the importance of resource-intensive, low cost and low skill activities as primary attractors of TNCs” (Hardy and Rainine, 1996: 98).

There are several reasons why FDI has become one of the most common ways in which TNCs are drawing economies together. To begin with, there is a strong belief that at the micro-level FDI will introduce technological and management expertise in economies where productive processes and capital equipment are outdated (Hardy and Rainnie, 1996: 112). According to this view, “it follows that the diffusion of technology and know how will stimulate competition and increased integration into the global economy” (Hardy and Rainnie, 1996: 112). On the investors' side, the primary motive for increasing FDI is to acquire a local market share and establish access to regional markets, as well as to maintain market power and product domination as part of global competition (Hardy and Rainnie, 1996: 110, Selowsky, 2002: 252, and Steves, 2001: 348-351).

It is for these reasons that, following the collapse of communism in Poland, Polish leaders and their outside neo-liberal advisors focused on creating the political, economic and social environment that they thought would be conducive to TNCs and FDI. Initially, there was much optimism regarding the level of FDI in Poland. The number of registered joint ventures increased from 1685 in 1990 to 6187 by early 1993 and by 1994 the level of

investment in Poland amounted to 2.2. billion U.S. dollars. So too, the arrival of international firms such as ABB, Alcatel, AT&T, Coca Cola, Gerber, IKEA, Siemens, Fiat, Thomson and Unilever seemed to signal that Poland was on the road to economic prosperity (Hardy and Rainnie, 1996: 101-102 and Kolodko, 2002: 60).

And yet, this picture of FDI in Poland is misleading. Flows of FDI to Central and Eastern Europe in general have been much less than anticipated, but relative to other countries, Poland's record has been particularly disappointing since it has received only sixteen percent of the total FDI in Central and Eastern Europe. Moreover, in certain instances the apparent growth in FDI only reflects the accumulation of FDI from the early 1970s rather than new investment (Hardy and Rainnie, 1996: 103). For example, as Hardy and Rainnie highlight, ABB and Philip Morris have been in producing in Poland since the 1970s; Fiat since the 1950s (Hardy and Rainnie, 1996: 104).

Perhaps most significantly, after examining the relative weight of individual projects Hardy and Rainnie find that FDI in Poland is characterized by:

a small number of large investments by transnational corporations, surrounded by a large number of much smaller investments, often contributing insignificant sums. For example, of the 197 major foreign investors, recorded by the Polish state agency for foreign investment (PAIZ) in 1994, 107 investors (54 percent) contributed only 5 million U.S. dollars or less ... later figures [also] show a marked change in the balance of FDI, with electronics (this includes investment by Fiat) ranking highest followed by food processing, finance, building, chemicals, paper, telecommunications and trade. Finally, it should be noted that large sections of the economy had received little or no foreign investment, in particular heavy industry (Hardy and Rainnie, 1996: 104).

The true picture of FDI in Poland, therefore, is one in which certain industries remain virtually untouched by FDI, while others are dominated by large TNCs. As the above makes clear, it is only in industries such as telecommunications and food processing that the

proposed benefits of FDI (e.g. upgrading of production processes and technology transfer) are being realized. In other instances, such as in the manufacturing or textile industries, TNCs and FDI are having little impact. The location of the chosen industries also influences the decisions of TNCs, with the vast majority of FDI flowing into large cities like Warsaw, Krakow or Poznan. These facts underscore the earlier point that the impact of Poland's restructuring drive is highly differentiated and uneven.

Thus, the central question of how Poland is being reintegrated into the global economy is at least partially answered by this discussion of TNCs and FDI: Poland is being reincorporated into the global system, but in a very specific and ultimately limited way. In effect, TNCs are like "cathedrals in the desert," their FDI providing "development *in* a sector, industry or region but not necessarily development *of* that sector, industry or region (emphasis added, Hardy and Rainnie, 1996: 114).

Having outlined the activity of TNCs in Poland, what kind of impact are these "cathedrals in the desert" having on workers there? As Hardy and Rainnie stress, the effects that TNCs have on a particular country are not determined solely by the state (i.e. legislation concerning foreign ownership, antimonopoly laws, etc.) but also by workers because a particular privatization plan cannot go forward without the approval of those workers' councils that are still operating in most Polish enterprises. How then, has the unique pattern of FDI in Poland changed the economic well-being of its workers – at the macro and micro-levels?

In general, at the macro-level, the TNC-driven transformation of the Polish communist-era command economy to one based on global free market principles has had a considerable, negative impact on blue-collar workers in Poland. Though shock therapy and

the (albeit low) flow of FDI into the country did lower inflation and foster a rapid increase in GDP and privatization, it radically changed Polish workers' sense of job and economic security. To begin with, the dismantling of Poland's trade relations with the former Soviet Union and reorientation toward trade with the West has had a disastrous effect on Poland's industrial output and thus on workers' real earnings. According to Boer-Ashworth, the fragmentation of Comecon¹⁰ alone, "accounted for one-third of Poland's decline in industrial output in the post-1989 period ... Poland's industrial output dropped by seventeen percent which also explains the twenty-two percent drop in real earnings" (Boer-Ashworth, 2000: 90).

To receive the loans needed to transform the Polish economy, the IMF also insisted that Poland develop an export-driven market, which has meant that Polish products now compete abroad with much more sophisticated products from Western Europe and the United States. At the same time, the Polish domestic market has been flooded with Western products. All of this, coupled with a huge migratory influx of foreign workers from neighboring countries (particularly from the former Soviet Union), has just put more downward pressure on workers' wages and further undercut the state's ability to provide social safety nets for its citizens (Boer-Ashworth, 2000: 93, Iglucka, 2000: 123, and The World Bank, 2002: 12-13).

At those enterprises still owned by the state, the phenomenon of underemployment has also increased as a result of competition from TNCs. Underemployment means that Polish workers are officially employed by an enterprise but receive no wages or are sent on indefinite administrative leave. The difficulty of finding jobs and the high costs of job

¹⁰ This was the major trading bloc between the USSR and its bloc countries during communism.

relocation, in turn, make staying on administrative leave a more attractive choice for workers, even though it ties them to a particular enterprise and limits their chance for better wages.

At the micro-level, it is important to emphasize that because the process of Poland's reintegration into the global economy is differentiated and uneven workers in some sectors and some firms have enjoyed positive benefits from TNCs and FDI. Nonetheless, there are fewer examples of FDI actually improving the employment, working conditions or living standards of workers (Hardy and Rainnie, 1996: 116-117). To begin with, one of the major reasons that union membership is declining in Poland is that much FDI and many small and medium-sized enterprises are against the formation of unions (Hardy and Rainnie, 1996: 80).

Moreover, workers' attitudes toward FDI have gone from being slightly apprehensive to outright hostile because in simply "adapting to local conditions rather than bringing in superior forms of employment," FDI is undermining employment security and lowering workers' standard of living (Hardy and Rainnie, 1996: 117). This attitude is hardened by "a strong nationalistic streak wishing to see strategically important industries remain under Polish control" (Hardy and Rainnie, 1996: 117). At the same time, however, there is a realization among workers that there can be advantages to having a foreign investor (i.e. to procure the capital necessary for the modernization of production processes). These conflicting stances have produced situations like the following at the Wedel confectionary company, in which PepsiCo bought a forty percent share in 1991:

Workers clearly receive benefits from working for a firm with new facilities such as a canteen, and a social fund, which provides mortgage loans, other benefits. Other benefits, however, such as holiday homes, nurseries, kindergartens and flats, are now off the menu. The company clearly regards the sphere of social responsibility as being outside of its scope. Workers complain about a feeling of insecurity, with poor communications exacerbated by the winding up of the broadcasting center to which Solidarity had access, being replaced by a company newsheet.

Increased hierarchy reinforced by wage differentials has led also to poor relations between employees and supervisors. So while restructuring clearly guaranteed the future of the firm, at least in the short term, workers felt more insecure about their jobs. There are other reports of conflicts, not only around wages, conditions and social packages, but also often over the style of management given the long tradition of some kind of representation, consultation and communication (Hardy and Rainnie, 1996: 118).

In the end, the impact of TNCs on workers in Poland is mixed. FDI can (and has in certain instances) positively influence the modernization of Polish firms, but this optimism has to be balanced by a recognition of its impact on job security and working conditions. As Hardy and Rainnie find, “for workers FDI would appear to guarantee the continued existence of their firm, at least in the short term, but the price of ‘working closer to the world,’ that is being locked into global competition, has been increased intensity of working practices, coupled with redundancy, or at best, increased insecurity” (Hardy and Rainnie, 1996: 120).

The other driving force behind Poland’s reintegration into the global economy has been privatization. While any country’s particular path of privatization is determined by a mixture of historical legacy and trends in the global economy, Poland has been particularly influenced by outside advisors and the pressures of foreign investors in its efforts to privatize. Indeed, the privatization program that Poland adopted (a combination of commercialization, mass privatization and liquidation) was based on (what were taken to be) successful models from the West, and in particular, Great Britain (Hardy and Rainnie, 1996: 125).

According to Hardy and Rainnie, there is an assumption in most mainstream academic literature that privatization and competition are synonymous, that is, that competition will act as a spur to demonopolization and bring about improved economic

performance (Hardy and Rainnie, 1996: 130). This is not such an obvious connection, however, because:

it ignores the wider context and dynamic of privatization. The crux of the argument [against it] is that the internalization of capital driven by large transnational corporations has forced the pace of privatization and changed the shape of the public sector in all economies (Hardy and Rainnie, 1996: 130).

In Poland, these realities are complicated by the fact that “mobilizing private savings for privatization is simply not an option” there and that the conditions of the IMF and EBRD loans (which tend to favor private sector projects over public ones anyway) prohibit most state-led restructuring. Poland, therefore, is forced to rely on foreign investment for privatization and restructuring for a variety of reasons (Hardy and Rainnie, 1996: 131).

This type of TNC-driven privatization “rather than bringing about competition and demonopolization, opens up economies to investment by large transnational companies whose activities are inextricably linked to privatization. The effect of this in Central and Eastern Europe has been to perpetuate and in some cases strengthen [the above-mentioned] market domination by TNCs” (Hardy and Rainnie, 1996: 131-132). This kind of privatization has been reinforced by the above-mentioned international organizations, whose stand-by loans and loans for infrastructure development have been inextricably linked to progress in privatization (Stone, 2002: 132).

Ultimately, the interrelationship between TNCs, international organizations and privatization has not only:

precluded some paths and narrowly limited choices, but in some cases significantly affected the form of the privatization process. For example, while public debates about mass privatization were to the fore in Poland, behind the scenes the World Bank was responsible for back door privatization that circumvented both the Sejm (parliament) and individual firms ... this desire to circumvent formally democratic procedures to

accelerate restructuring and in particular to privatize individual firms without the consent of the workers is an indication of the way in which organized labor is regarded as a problem by the state (Hardy and Rainnie, 1996: 133).

More specifically, this link has significantly changed the structure of ownership in Polish enterprises. Polish workers initially thought that national investment funds accrued from privatization would target their own enterprises and other Polish investment banking, accounting and consultancy firms, but in reality:

All of the leading bidders turned out to be foreign firms. Even the success of small-scale privatization was marred by the fact that although 500,000 new small businesses were created in 1990, 150,000 of these failed or were liquidated by 1992. The painful process of transformation was made more difficult by the tendency of transnational capital and banks to try to derive short-term profits from [Poland] (Boer-Ashworth, 2000: 94).

These circumstances have thus signaled a new qualitative stage for enterprise ownership in Poland. Foreign multinationals now have direct control over the production process, and have been able to buy many of Poland's strategic sectors with a minimum of capital. As Boer-Ashworth notes, "large parts of the Polish economy have thus now ceased to be Polish" (Boer-Ashworth, 2000:95). While this foreign influence has increased overall investment in Poland by some ten to fifteen percent, it effectively means that workers have very little input or control over the production process in their enterprises.

What has been most troubling about the privatization process for workers in Poland is that it has been explicitly pursued without their input or participation. Indeed, according to Hardy and Rainnie, "one of the central tasks of privatization has been to strip or at least minimize the power of [workers] and the workers' councils reactivated after 1989. These were viewed as having too much say in the fate of individual firms and slowing down the pace of restructuring" (Hardy and Rainnie, 1996: 134). In fact, providing labor with a voice

in the privatization process was (as was the case in general politically) seen as being fundamentally in *conflict* with the goals of post -communist transformation.¹¹ As such, the privatization process in Poland actively attempted to limit the power of organized labor in several ways.

Firstly, a tax-based incomes policy (the Popiwek) restricted the growth of wage funds in all enterprises, and after 1991, only in state-owned enterprises. The Popiwek established a wage norm for a given firm or sector and then taxed all wage increases above that up to 100 percent (Hardy and Rainnie, 1996: 134). The result of this policy was first a “large-scale redistribution away from farmers and workers in favor of entrepreneurs ... and secondly an attempt to lessen union resistance to privatization ... This was meant to encourage privatization and to weaken labor resistance by creating the impression that privatization would mean higher wages” (Hardy and Rainnie, 1996: 134). Secondly, additional privatization legislation required that workers’ councils be dissolved. Coupled with the Popiwek, this helped to strengthen managerial power at the expense of workers (Hardy and Rainnie, 1996: 135-137).

These moves on the part of the Polish government point to two significant facts: that “the question of labor and labor organization has played a fundamental role coloring the process and pattern of privatization” and that there has been much more government intervention in the process of restructuring the Polish economy along free market principles than the rhetoric would seem to indicate (Hardy and Rainnie, 1996: 137). The patterns and particular outcomes of privatization, then, is on the one hand driven by globalization, but on the other is influenced by the “particular balance of forces between state, capital and organized labor, contingent on the historical legacy” (Hardy and Rainnie, 1996: 137).

¹¹ See Chapter III

In sum, Poland's reintegration into the global economy has been driven by two principle forces, TNC-led FDI and privatization. Aided by such organizations as the World Bank and the IMF, which through their conditional loans have imposed particular privatization and investment paths, FDI and privatization have essentially determined which sectors of the Polish economy will be competitive in the future. "Where FDI has arrived the result is that the strategic decision-making regarding the future of the unit no longer takes place within Polish borders. Furthermore, the survival of any particular unit may be determined by actions that take place far away from Poland itself, and have little to do with either the nature of the Polish market or the particular productive unit in question" (Hardy and Rainnie, 1996: 250).

Workers, in turn, have been affected by these processes in two primary ways: increased uncertainty of the existence of their jobs and greater inequality between various sectors and within individual firms. The particular way in which Poland is being incorporated into the global economy is, in effect:

leading to a change from a low work intensity, mass underemployment system to one that will increasingly be characterized by highly intensive work practices. This has important implications for those both in and out of work ... those sectors and firms that have been opened up to world markets, principally through FDI, have witnessed simultaneously an increased pressure to change, but also have acquired Western management tools designed to aid that adaptation. However, for the workforces concerned, adaptation translates into either unemployment or increased intensity of work (Hardy and Rainnie, 1996: 255-256).

Poland's reorientation toward trade with the West has added further downward pressure on workers' wages and the incidence of underemployment has increased. The growing influence of foreign owners in Polish enterprises has meant also that workers have minimal control

over the organization and production of their enterprises (Kulpinska, 2004: 2-5, Keat, 2000: 202-203, and Keivani, Parsa and McGreal, 2001 and 2002: 11-12 and 183-186).

Russia

The process of restructuring the Russian economy has also been shaped by global forces, but in way that is significantly different from Poland's. According to Sarah Ashwin and Simon Clarke, "the particular character of enterprise trade unionism, the 'labor collective' and enterprise paternalism in the Soviet system was not just a matter of state policy or management strategy but was deeply embedded in the structure of the social relations of the enterprise [in Russia]" (Ashwin and Clarke, 2003: 203). Therefore, while the process of building a market economy in Russia and privatization changed the environment in which Russian enterprises had to operate, it "did not lead to any rapid or fundamental change in the role of trade unions within the enterprise or any immediate or rapid changes in the internal organization of enterprises and organizations" (Ashwin and Clarke, 2003: 203).

As in Poland, the privatization process in Russia generated new forms of ownership over which workers had little input. Equally similar to the Polish case, it also undermined workers' ability to organize politically. Privatization was supposed to be accomplished via voucher privatization, with every Russian citizen given vouchers that they could sell or use to buy shares in companies. To account for management and labor's concern that their enterprises might be taken over by outsiders, the three forms of voucher privatization all provided for some level of control by the labor collective. Most enterprises, in turn, chose the option that allowed, by a two-thirds vote of the labor collective, for fifty-one percent of the shares to be purchased by the collective (Connor, 1996: 147 and Owen, 2003: 25).

While on the surface this appears to provide workers with an opportunity to have some control over the running of their enterprises, privatization has ultimately been used by management to retain control, stifle political action and reinforce what Stephen Crowley calls “enterprise dependence” (Crowley, 1997: 155). As mentioned earlier, during the Soviet period an enterprise not only provided its workers with wages and employment, but often also provided services like child care, housing, pensions and healthcare. To ensure that workers cooperated and that they remained in control, management distributed these services to workers differentially -- based on personal preferences, worker seniority or informal connections (Cook, 1997: 30).

Privatization should have ended this dependency, but aware that with the end of state control their positions were no longer guaranteed, management has actually increased its paternalistic role (Clarke, 1999: 70). As Crowley notes, to stay in power now managers must “prevent collective action by workers against management or their uniting behind the privatization proposals of outsiders” (Crowley, 1997: 163). Management has been successful in achieving this goal by promising workers full employment and social services. If workers attempt collective action anyway, management withholds those benefits. In the face of falling wages and unemployment, this is an effective strategy to guarantee worker cooperation.¹² With workers dependent on enterprise management for their survival, they are much less likely to challenge management’s authority.

In those instances where outside owners actually did take control of enterprises (either by purchasing devalued shares or buying shares by tender or auction), they were primarily financial institutions and holding companies that “had no interest in intervening directly in management, but only in subjecting the enterprise management to rigid financial

¹² This will be discussed subsequently

constraints, their profits usually deriving from their control of supplies and sales through their own commercial subsidiaries” (Ashwin and Clarke, 2003: 204).

Nonetheless, even in these foreign-owned enterprises it is important for management to retain control over its workers. This is primarily because the rights of private ownership are not seen as being unconditional in Russia and depend on the owners fulfilling “the traditional obligations of the enterprise director, the legitimacy of managerial prerogatives being regarded as conditional on management being seen to do its best to provide good wages, benefits and working conditions ... this was particularly important where ownership was contested” (Ashwin and Clarke, 2003: 204).

Ultimately, these realities lead Ashwin and Clarke to judge that privatization in and of itself did not radically change the “internal social structure and social relations of the post-Soviet enterprise [in Russia]. The collapse of the Russian economy was much more significant than changes in ownership in determining the development of industrial relations and the role of the trade union” (Ashwin and Clarke, 2003: 204). The remainder of the chapter will discuss this collapse and highlight its effects on the reintegration of Russia into the global economy.

As Ashwin and Clarke indicate, the purpose of the shock therapy reforms introduced in 1992 was to rapidly integrate Russia into the world economy by liberalizing prices and allowing them to reach world levels (Ashwin and Clarke, 2003: 204). Similar to the Polish case, the assumption was that price liberalization and financial stabilization would create an environment favorable to FDI and lead to a rapid influx of new technologies and capitalist practices. Just as in the Polish case, however, these assumptions proved to be flawed (Sotsiologicheskie Issledovaniia, 2002: 61-64).

Those industries that had dominated economic activity during Soviet times – military production and heavy industry – declined as expected (by about half in the early 1990s), but:

those industries which were supposed to flourish in the free domestic market – food processing, light industry and the production of consumer durables – collapsed as much or more, with food processing down by almost half, consumer durables down by about three-quarters and textiles, shoes and clothing down by over eighty percent between 1990 and 1995, with the decline accelerating again in 1996 as these industries were hit by foreign competition which became steadily stiffer as the exchange rate hardened ... Although domestic production and employment recovered somewhat with the devaluation following the August 1998 crisis and the big rise in oil prices, it is not expected that the recovery will be sustained for long (Ashwin and Clarke, 2003: 205).

Even in the energy and mineral resources sectors new investment and expanding production did not lead to increasing exports but rather production in these branches fell by over one-third. Overall, GDP was halved between 1990 and 1998 (Ashwin and Clarke, 2003: 205).

As Ashwin and Clarke indicate, the “decline of traditional industrial enterprises was supposed to be compensated by the expansion of the new private sector, but the growth of employment in the new private sector, largely confined to trade and services, by no means made up for the forty percent decline in employment ... during the 1990s” (Ashwin and Clarke, 2003: 205). In addition, small business growth and the increase in employment that is supposed to accompany it was undercut by a decline in established facilities (Clarke and Kabalina, 2000: 10).

These circumstances have had a significant, negative influence on the flows of domestic and foreign investment in Russia. Capital investment has fallen almost eighty percent since 1990 and like Poland what investment has materialized has been highly uneven and differentiated in its impact. Many industries have seen almost no investment at all, and those that have, have seen only a piecemeal introduction of new technology or management

practices (Ashwin and Clarke, 2003: 206). As mentioned, “great hopes were placed in the regenerating powers of foreign investment, which was supposed to introduce not only advanced technology but also capitalist management techniques,” but between 1994 and 1999 FDI amounted to only \$3 million per annum (Ashwin and Clarke, 2003: 206). Moreover, over a quarter of all investment was in Moscow city (Ashwin and Clarke, 2003: 206).

The effect of this low level of FDI is that there has been very little technology transfer or the establishment of new production management techniques in Russian enterprises.

Furthermore, even in the instances where FDI did arrive:

this was often the prelude not to productive investment but to using the enterprise as a conduit for the export of raw materials or to simple asset stripping. Where productive investment did take place, expatriate managers might fill the senior positions but in general the foreign owner tried to disrupt the existing organization of production as little as possible and continued to work with the traditional trade union organization (Ashwin and Clarke, 2003: 206).

With such little investment, the prosperity of an enterprise clearly depends more on its “legacy from the past and its external circumstances than on its ability to marshal its own resources” (Ashwin and Clarke, 2003: 206). Enterprises that have relatively modern facilities, a significant amount of capital or access to favorable export markets thus end up being much more prosperous than those that have been unable to maintain their social and welfare infrastructure and therefore lost many of its best workers (Ashwin and Clarke, 2003: 206 and Zagladin, Vadim, 2000: 5).

Ultimately, this lack of FDI and the limited growth of the private sector has meant that there have been few changes in the social organization of production in Russia. At the same time, however, these “same factors have led to a radical change in the labor market

situation and so the individual and collective bargaining power” of workers (Ashwin and Clarke, 2003: 207). Unemployment has increased to about twelve percent, but as in Poland an equal number of people (mostly the young and the old) have dropped out of the labor market entirely. Also as in Poland, other workers remain officially employed by an enterprise but receive no wages or are sent on indefinite administrative leave. So too, just as in Poland the difficulty of finding jobs and the high costs of job relocation makes staying on administrative leave a more attractive choice for workers, even though it ties them to a particular enterprise and limits their chance for better wages (Vorobyov and Zhukov, 2001: 269).

In addition, from 1992 to 1998, average real wages for workers fell about seventy percent, a quarter of the population fell below the official poverty level, and unemployment and income disparities increased dramatically (Cook, 1997: 3). The major problem for Russian workers, however, has been the non-payment of wages. As of late 1998, workers were owed more than nine billion dollars in unpaid wages (Christensen, 1999: 132). Once again, just as in Poland, this wage arrears crisis and the overall downward pressure on wages has been exacerbated by a huge influx of foreign workers from neighboring countries (also primarily from the former Soviet Union) into the labor market (Clarke and Kabalina, 2000: 1).

This transformation in the labor market has led to a “a radical shift in the balance of power between employer and employee, reinforcing the role of informal personal relations between manager and worker in the regulation of employment relations” (Ashwin and Clarke, 2003: 207). It has also made it increasingly “difficult for workers to sustain the motivation for collective action,” because management can respond to workers’ complaints

with a “if you don’t like it, you can leave” attitude (Crowley, 2000: 161). Thus, in Russia as in Poland the labor market picture is one in which “individual exit options are prevailing over collective voice in the response of employees to unacceptable wages and working conditions” (Ashwin and Clarke, 2003: 207).

In face of the workers’ economic situation and dependency on management, trade unions have been unable to serve as effective representative organizations. Given the conflicts discussed earlier between the trade unions over resources, at the enterprise level the FNPR has spent much of its time attempting to curry favor with management, since management controls the resources the FNPR wants to continue to distribute. This increased dependency on management only serves to create the perception among workers that “unions are another arm of management” (Davis, 2001: 202). Thus, the FNPR’s already shaky legitimacy has been weakened further at the enterprise level. The independent unions are not without their problems either. The NPG, for example, had been a staunch supporter of Yeltsin (having helped bring him to power in 1991) and thus remained faithful to his government’s policies even as they produced dire economic conditions for workers. This created a growing rift between the leadership of the NPG and the workers they purport to represent, ultimately undermining the ability of the NPG to organize workers for political action.¹³

The fact that the reforms of the early 1990s have only transformed the external environment in which Russian enterprises operate and not on their internal organization or the management of the labor force has further complicated trade unions’ relations with management (Ashwin and Clarke, 2003: 208). As Ashwin and Clarke indicate:

¹³ The NPG’s official position changed in 1997, when it broke with supporting the Yeltsin regime

The demands of management are at once the most simple and the most inexorable of those the enterprise unions face. Essential managers do not want trouble. They want compliant trade unions that will act as mediators when required and will administer the diminishing social infrastructure of the enterprise ... In general, managers have sought to preserve the internal unity of enterprises in order to withstand external pressures and constraints (Ashwin and Clarke, 2003: 208).

In practice, this has meant that within enterprises unions remain at best “equivocal champions of workers’ interests. The trade unions take care not to mobilize workers against management” (Ashwin and Clarke, 2003: 209).

The way in which FDI and privatization has changed the labor market in Russia, therefore, has had a significant impact on workers’ economic status and their relationship to management and trade unions. In the face of falling wages, exploitive management, and ineffective trade unions, the ability of workers to mobilize to effect change has been considerably damaged. It is thus not surprising that workers have remained quiescent.¹⁴ Moreover, the structure and extent of workers’ dependency on the workplace ensures that they will remain quiet. Quite simply, workers just have “too much to lose” if they try to mount collective action (Howard, 2003: 121-122, Marsh and Gvosdev, 2002: 101, and Marsh, 2003: 145).

In the end, the economic impact of globalization on workers in Poland and Russia has been characterized by a profound transformation of the external environment in which enterprises in both countries operate. In terms of the internal structure of social relations and production in individual enterprises, however, it is only in Poland that there have been any significant changes. It would seem that this stems from the fact foreign ownership has been much greater in Poland than in Russia. While FDI and technology transfer has been equally low in both countries, in those sectors in Poland where foreign influence has been strong,

¹⁴ See Chapter III

owners have significantly altered the product line and production processes of individual enterprises. It is worth mentioning again, however, that this impact is highly uneven and differentiated and depends on the sector and firm from which a worker comes.

Regardless of which country is highlighted, however, it is clear that the neo-liberal economic policies pursued as part of Poland and Russia's drive to reintegrate into the global system has had a largely negative, distributive effect on the financial security of workers in both countries. Workers are increasingly concerned about the stability of their positions and troubled by the widening gap between the "haves and the have-nots." These fears are exacerbated by the loss of social safety nets that the economic restructuring programs in both countries required. The next chapter discusses this topic.

Chapter V

Social (in)Security: Workers and Social Welfare in Post-Communist Poland and Russia

As was the case in the economic sphere, socially the overarching neo-liberal reform program adopted in both countries has driven Poland and Russia's reintegration into the global system. As Scholte indicates, neo-liberal approaches to the organization of a polity emphasize that globalization should be "guided by market forces: public authorities should only facilitate and not interfere with these dynamics ... neo-liberalism builds on the convictions of classical liberalism that market forces will bring prosperity, liberty, democracy and peace to the whole of mankind" (Scholte, 2000: 33).

In Poland and Russia, this translated into a very particular type of social policy. Despite the fact that the economic and political side effects of the two countries' drive to join the globalized world produced significant poverty, unemployment and insecurity for many groups within each society, the respective governments saw these social costs as a "necessary sacrifice" (Hardy and Rainnie, 1996: 63).¹⁵ Specifically, as Hardy and Rainnie highlight in the Polish case, post-communist:

social policy has been driven by two considerations: the first is subsidiarity, meaning that the state will only provide a service where voluntary or private sector organizations can not be encouraged to take a step; secondly, the policy is aimed at providing a minimal safety net, not at stopping people from falling into that safety net ... The provision of basic services in Poland has come under attack in two ways: firstly, major employers have begun to withdraw from the provision of non-core facilities such as childcare and leisure; and secondly, even though legislation now imposes on the local government responsibility for the provision of these services, it does not have the financial resources to provide the same level of support [as was provided during communism] (Hardy and Rainnie, 1996: 63).

This chapter will illustrate that this social policy affected workers in Poland and Russia, as in the economic sphere, by redistributing their wealth and power in such a way that poverty and unemployment increased (i.e. to use Held's terminology, globalization has had a "distributive" impact on workers in the social sphere). While the nature of this impact has also been highly uneven and differentiated, it nonetheless has increased the general feeling of insecurity among workers in both countries.

Before discussing Poland specifically, it is necessary to outline how modern, capitalist states conceive of social welfare because Polish and Russian leaders' understanding of this conception strongly influenced their social response to workers. In the most general sense:

¹⁵ See Chapters III and IV

social welfare refers to the material well-being of a community, or the material components of its members' collective quality of life. These include food, clothing, housing, and health care, as well as services such as transportation and education, which improve access to higher living standards. Total welfare can thus be measured in terms of quantity and quality of goods and services available, as well as access to them (Sanjian, 1999: 179).

The rise of the welfare state in turn has tended to emphasize the state's role in allocating these material services, but in reality, the state has actually never been the sole provider of social welfare. In fact, social welfare is the "product of the interaction of four separate welfare sectors: the market place, the household, and private associations, in addition to the state" (Sanjian, 1999: 179).

In societies with market economies, the market place is the primary source of welfare for most people — "it is here that they acquire the means to meet their basic needs: They work in exchange for wages, and then change the wages for goods and services. For many workers labor is also exchanged for employer-provided benefits ... [such as] pensions, health care, training ... all of which directly or indirectly enhance welfare" (Sanjian, 1999: 179-180).

The household's contribution to social welfare rests on the "extent and variety of services provided within the household, usually by family members but sometimes by others who share a home. Services include care of children, the elderly, and the sick or disabled; and cooking, laundry, housekeeping and home maintenance" (Sanjian, 1999: 180). Yet, the household and the market are unreliable sources of welfare, for they both can "fail" people or exclude or restrict the participation of certain members of a society. In these instances, the private sector can offer additional welfare options "through its charitable organizations, churches and other voluntary associations" (Sanjian, 1999: 180).

At the same time, however, the only:

potential provider with the financial and administrative capabilities for a broad-based [social welfare] effort is the state ... though the range and variety of public benefits vary greatly from country to country, the state typically provides or subsidizes services (e.g. education, health care, child care) and offers cash transfers (e.g. pensions, income supplements, workers' compensation) though very rarely does it directly provide goods such as food and clothing. It also contributes to social welfare more indirectly by creating or preserving conditions that allow the other three sources to perform their functions more effectively ... (Sanjian, 1999: 181).

Where the private sector dominates, the state can also act as the “proverbial safety net, protecting individuals when the web of private providers unravels or supplementing private contributions. This is true even in the most well-developed and extensive welfare states” (Sanjian, 1999: 181).

Thus, none of these four above-mentioned sectors can guarantee a society's social welfare alone. “Each has its role but also its limits” and therefore, if Poland and Russia are to improve the welfare of their citizens they “must not only address [their] existing benefit programs but promote and protect the non-state sources as well” (Sanjian, 1999: 181). As will become clear, this has not been the case in either country (Hoffman, 1999: 121-121).

Poland

According to Hardy and Rainnie, the trend in terms of social policy in Poland is:

away from the collective provision of welfare benefits towards the individualized and atomized acquisition of such provision, based on the ability to purchase them. However, this process is uneven ... driven by a budget deficit, the state has retreated to a position whereby welfare provision consists of little more than a low level safety net ... and the state sees no role for itself in stopping people falling into that safety net (Hardy and Rainnie, 1996: 257).

This move away from the social provision of welfare benefits has had distinct, negative consequences for workers in Poland.

In general, in terms of workers' relationship with the state, the elimination of the previous regime of social safety nets and subsidies has had considerable negative ramifications on their sense of security and economic livelihood. As de Boer-Ashworth indicates, "basically only a third of the population can today afford a comfortable lifestyle. Another third survives by hard work. While the remaining one-third has been experiencing different levels of poverty as defined by the UN. Distressingly, the poor were financially better off during Stalin's time" (de Boer-Ashworth, 2000: 98). The general state of health of Poles has also dropped since welfare provisions were reduced. Many health problems in fact are stressed induced (de Boer-Ashworth, 2000: 98).

Poland's post-1989 social program, coupled with the above-mentioned economic changes, also led to a major increase in those who live below the poverty line. Between 1990 and 1994, blue-collar workers' real wages declined some twenty-two percent and the World Bank estimates that as a result approximately twenty percent of the population now lives below the poverty line (Derleth, 2000: 260). The loss of food, education, housing and transportation subsidies, declining state intervention in the economy and continuing inflation have all made blue-collar workers' standard of living deteriorate dramatically (Torres, Enzler, Reinecke and Romero, 2001: 25-29).

Importantly, Hardy and Rainnie find that women workers are feeling these changes most acutely. Women are bearing the brunt of unemployment, "but two incomes are absolutely necessary for a family unit, simply to provide for a minimum level of existence. Women, then, are being pulled into two different directions" (Hardy and Rainnie, 1996: 257).

On the one hand, there is a drive within Poland to re-establish the traditional nuclear family (by putting pressure on women to return to the home), but on the other hand, “as necessities swallow up an ever larger proportion of family incomes, there really is no choice about staying in work. Hanging onto a job becomes an absolute necessity” (Hardy and Rainnie, 1996: 257). The biggest fear for Polish workers is the threat of unemployment for themselves or their spouses, which is compounded by the increased pressure and intensity of the work process itself (Hardy and Rainnie, 1996: 258 and The World Bank, 2001: 11).

Thus, the changes to workers’ relationship to the state since 1989 have undermined workers’ sense of stability and financial security. The loss of social safety nets from the state has increased unemployment and decreased workers’ economic livelihood to such an extent that it has increased workers’ resentment of the costs of the transformation. It has also decreased support for the reformist government in particular and globalization in general (Derleth, 2000: 261). Poland’s leaders (or their Western advisors for that matter) have never truly addressed this social fall-out - except to say that the “human discomfort is a [natural] by-product of the transition from a command to a market-driven economy” (de Boer-Ashworth, 2000: 98). Trade unions meanwhile, given their above-mentioned problems, have proved ineffectual at providing a political voice for workers in the face of this social crisis.

Russia

Russia has also pursued a social policy that emphasized the retreat of state intervention in the provision of social welfare benefits. At the national level, this has focused on establishing just the barest minimum of a social safety net. Indeed, not only are unemployment and other social benefits “abysmally low – they have averaged about ten

percent of the subsistence minimum – but [not only are wages continuing to be unpaid but] even unemployment benefits are in arrears” (Crowley, 2000: 169).

The Russian government, like the Polish one, has in the course of market reforms officially transferred social assets from enterprises to local governments, “but without providing the funds to for them. To the extent that these social services exist at all, they are still paid for and administered through the workplace” (Crowley, 2000: 170). As mentioned above, managers continue to provide some social benefits to employees because “like the state they fear a social explosion ... while the level and quality of the benefits provided at the workplace have declined significantly, they take on more importance given people’s struggle to escape poverty” (Crowley, 2000: 170).

It is important to mention that there have been some state responses to the unemployment and social welfare crises in Russia. The government has introduced unemployment compensation, created a nationwide employment exchange network for job seekers and provided some re-training programs as well (Dakin and Sanjian, 1999: 210-211; 185-186). The new employment programs “represent only a partial response to the [social] dislocations, though. Thus, most benefit programs remain the responsibility of employers, with very negative consequences” for Russian workers (Dakin, 1999: 186). One major side effect has been that unemployment remains largely a female phenomenon (with women comprising some eighty percent of the unemployed). As Sanjian indicates, this is largely because most “family-oriented benefits are still assigned to mothers rather than to workers per se; this makes women more expensive workers than men, so that cost-cutting firms often target women for layoffs even though this means that their entire families lose benefits” (Sanjian, 1999: 186).

The retreat of state involvement in social welfare has also reinforced the phenomenon of underemployment, with millions of workers going without wages for many months but neither quitting nor getting laid off because they need access to the benefits that come with employment (Dakin, 1999: 205 and The World Bank, 2003: 17-19). So too, the Soviet legacy of basing the welfare system on work record, or on the number of children in a family rather than on need has exacerbated income inequality, by “increasing most benefits with seniority and so income (Sanjian, 1999: 187).

The most obvious cost of this decline of social welfare for workers (and Russian society more generally), however, has been a considerable decline in living standards and the increased probability of falling into poverty. Indeed, a drastic “marginalization” of the population has taken place, and “the numbers of poor, vagrants, alcoholics and drug addicts are growing. The quality of ‘human material’ is [also] declining at a very fast pace” (Silverman and Yanowitch, 2000: 17-18). Social benefits such as pensions no longer provide adequate income to purchase basic necessities, so to make ends meet, most Russians are taking additional jobs to supplement their incomes (Dakin, 1999: 211).

Inflation has exacerbated all of these tendencies, significantly increasing the cost of basic necessities and destroying household savings. This, in turn, has prevented most Russians from drawing on their past savings to support themselves in the short-term. This, coupled with the fact that stringent government budget constraints have seen overall spending on social protection as a proportion of GDP decline by five percent between 1992 and 1995, has only exacerbated the drop in living standards and increased the numbers of those living below the poverty line (Javeline, 2003: 180-181).

As was the case in Poland, the negative impact of the rapidly eroding social safety net in Russia is particularly evident in the deterioration of the health care system. Just as in Poland, responsibility for health care (and other social assistance programs) has in theory been transferred from the central to local governments. Yet, in practice lack of funding from the central apparatus has circumscribed local governments' ability to provide a wide range of quality social services. Since 1993, free health care has been available only to pensioners, war invalids and children under three, while better quality medical services are beyond the financial means of most families (Silverman and Yanowitch, 2000: 25 and Dakin, 1999: 210).

Like the Polish government, then, the Russian state has for the most part pursued a social policy of extreme non-state intervention, which has had a detrimental impact on the social, financial and personal security of workers. While increasing workers' anxiety, it has simultaneously decreased their support for more democratic and other reforms. It has also undermined workers' ability to shape the outcome of the massive changes wrought by the transformation from communism. In Held, et. al's terminology, then, globalization has had a direct, distributive impact on workers as well as an institutional one in the social sphere. That is to say, the social welfare agenda reflected the ideological dominance of neo-liberalism on the global stage. Obviously, the effects of this dominance has serious implications for the future of state-building in Russia. It also does not bode well for the future of democracy in the country more generally (Sanjian, 1999: 187).¹⁶

¹⁶ It is important to note, however, that even though this minimalist social policy was pursued primarily because of the two governments' overarching drive to reintegrate into the global political and economic system, it was also a result of the communist legacy in both countries. The communist experience in Poland and Russia left both societies with a deep distrust of an activist state. Coupled with the neo-liberal orientation of most post-communist leaders, then, this translated in practice to a reduced role for the state in the social sphere.

In the end, what is most upsetting about the outcome of social policy in Poland and Russia is that it did not and does not necessarily need to be pursued in this way. As Sanjian indicates, the Russian and Polish states could:

restructure the benefits system inherited from the Soviet Union, relieving employers of the most important programs and consigning them to the state. This should facilitate the distribution of scarce welfare resources on the basis of need and equity rather than on the economic requirements of the individual firms alone. It will also permit the state to play an important and productive role in the lives of the Russian people once again. The state can also enhance welfare by promoting and protecting the private sector (Sanjian, 1999: 196).

Ultimately, extending social opportunities for workers and the Russian people more generally entails much more than establishing a “free” market. It requires “an active role for government aimed at expanding positive freedom, that is, the capacity [for Russians] to participate in the new opportunities that a market system offers” (Silverman and Yanowitch, 2000: 35-36). This would necessitate, in turn, a qualitative ideological shift away from the predominance of neo-liberal policies and ideas in Russia. The drive to reintegrate Poland and Russia into the global system, to consolidate democracy and a functioning market economy in both countries, does not have to come at the expense of its workers or social welfare more generally. Moreover, “democratization, if it is to be sustained, means that it *must* not” (Sanjian, 1999: 196).

Chapter VI: Conclusion

In the introduction to this paper two major questions were posed:

1. Is conventional wisdom that the relationship between globalization and labor is primarily a negative one accurate in the Polish and Russian contexts?

2. What shape has Poland and Russia's drive to reintegrate into the global system taken?

To these questions should be added a third, which in combining questions 1 and 2 is really the overarching dilemma that has informed this study:

3. How has globalization reconfigured the relationship between workers and the outside world in Poland and Russia?

As should be clear now, in many respects globalization has had similar structural effects in Poland and Russia. In both the political and social spheres, the ideological hegemony of neo-liberalism in the global system conditioned how each country's government approached the organization of state-society relations after communism's collapse. These approaches, in turn, produced consequences for workers that were primarily negative. In Poland, political leaders adopted a model of trade unionism that, in ignoring the unique trade union legacies of the communist past, undermined the security and livelihood of the vast majority of Polish workers. So too in Russia, the government adopted a globally accepted model of social partnership that was entirely inappropriate to the Russian context given Russians' historical understanding of how to address labor conflict (not to mention the overall weakness of the rule of law in the country).

The predominance of neo-liberalism on the global stage also significantly influenced workers in the social sphere. The neo-liberal supposition that the state should let market forces "reign" and therefore only provide the most basic of a social safety net (coupled with very real budget constraints), led the Polish and Russian governments to significantly scale back unemployment programs, subsidies and other forms of social welfare programs. This only exacerbated workers' feelings of insecurity and encouraged them to turn to less formal channels for support (e.g. the black market, small family-owned agricultural plots, etc.). In

both countries, these problems were felt disproportionately by women, which as mentioned in the introduction, is consistent with trends throughout the world.¹⁷

In Held's terminology, then, the impact of globalization on workers in the political and social spheres was decisional and institutional. The policy choices of the Polish and Russian governments were highly influenced by global forces (decisional) and their organizational and collective agendas also reflected the choices available because of globalization (Held, et. al, 1999: 17). The cumulative effect, without a doubt, "embodied a transformation in the spatial organization of social relations and transactions" for workers in both countries (Held, et. al, 1999: 16).

It is in the economic sphere, however, that globalization has had the most significant, interesting and differentiated impact on workers in Poland and Russia. In this sphere, there are still general similarities in each government's economic approach to labor (e.g. the implementation of shock therapy reforms). Yet, the pre-existing nature of structural relations, especially at the level of the individual firm, has had more of an influence on the immediate, day-to-day existence of workers (on the job and at home) than has the general policy orientation of the state.

In Poland, the twin drives of TNC-led FDI and privatization have fundamentally altered both the external environment in which Polish enterprises operate and the internal relationship between workers, management and trade unions within individual enterprises. Though the effect of FDI and privatization has been far from uniform, where FDI and foreign ownership have emerged, the survival of the firm is dependent on decisions taken far away from Poland itself and have little to do with the nature of the Polish market (Hardy and Rainnie, 1996: 250). By contrast, those firms that have attracted little FDI or still are not

¹⁷ See the section on labor in Chapter I

entirely privatized find themselves struggling to remain afloat both in terms of productivity and employment. They are constrained by outdated technology, business practices and labor organization on the shop floor.

In essence, then, TNC-led FDI and privatization are determining which sectors of the Polish economy (and by extension the firms within them) will be competitive in the future. Workers, for their part, have been directly affected by this reality (and once again in a primarily negative way). The unique way in which Poland is being reintegrated into the global economy has led to increased unemployment, increased intensity of working conditions and less worker control within individual enterprises. FDI and privatization have also added further downward pressure on workers' wages and increased the incidence of underemployment.

In Russia, by contrast, even though economic restructuring policies also significantly altered enterprises' external environment, they had little impact on the internal organization of individual firms. This stemmed primarily from the fact that the labor collective and enterprise paternalism in the Soviet system was "not just a matter of state policy or management strategy" in the Russian context but "deeply embedded in the structure of the social relations of enterprise" (Ashwin and Clarke, 2003: 203). Therefore, while the process of building a market economy in Russia certainly changed its external environment, it neither changed the relationship between trade unions and workers at the firm-level nor the nature of working conditions.

As was shown in Chapter IV, privatization undermined workers' ability to organize on the shop-floor and reinforced Soviet-era enterprise paternalism and managerial control. To ensure workers' acquiescence, managers in most firms are holding out the carrots of social

benefits (those social benefits that still exist, that is). Given the drastic social fall-out highlighted in Chapter V, this is an effective strategy to maintain control. Foreign influence has also continued to be low, which has only augmented certain managers' position.

The end result of this perpetuation of Soviet-era practices at the enterprise-level has been largely negative for the well-being of Russia's workers. Unemployment has increased as has the phenomenon of underemployment, and many workers continue to go for months without being paid. Wages in turn have fallen about seventy percent since 1991, a quarter of the population has fallen below the official poverty line and income disparities have increased dramatically. These trends have also reinforced the role of informal personal relations between workers and managers on the shop-floor.

To return a final time to the theoretical framework outlined in Chapter I, it is clear that economically globalization has had a huge impact on the organization of social relations and transactions for workers in particular and the societies in general of Poland and Russia. Globalization has changed the external environment with which enterprises in both countries must interact and has significantly altered the economic position of workers. At the same time, however, these changes only extend to the internal environment in the Polish case. In Russia, the pre-existing structure of social relations at the enterprise-level remains essentially the same.

What does this imply for understanding Poland and Russia's drive to reintegrate into the global political and economic system? Fundamentally, that while the state and its policies remain important at the macro-level in both countries — as witnessed most clearly in the political and social spheres — the interaction between globalization and the nature of the pre-

existing social structure at the micro-level are the primary movers of integration in both countries. This relationship also explains the differential impacts in each context.

In the end, the future of blue-collar workers in Poland and Russia — politically, economically and socially does not look promising. The challenge for leaders and academics within and outside the two countries will be to devote time to understanding how globalization is structuring labor relations in Poland and Russia, and then subsequently, to develop policies that can more directly address workers' needs. Reintegrating Poland and Russia into the global system does not have to come at the expense of workers' rights or well-being. Indeed, to ensure democratic stability in both countries it *must* not.

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