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Political involvement in industrial conflict in Ukraine during the world economic crisis, 2008-2010

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To what extent is the current world economic crisis leading to industrial conflict in Ukraine and through which mechanisms? This article shows with ethnographic data that the crisis did indeed spur some industrial conflict in Ukraine. Furthermore, the crisis has combined with the increase in political liberalization witnessed by Ukraine ever since 2004 to create incentives for political forces to take the workers' side in plant-level industrial conflicts. I study three instances of plant-based industrial conflict in 2008-2010, and map how political forces contain or use worker militancy against political opponents. However, cases of industrial conflict are rather limited. With the help of statistical analysis I discuss a possible explanation why industrial conflict is largely absent from Ukraine's most crisis-hit sector, machine-building.

Keywords: post-communism, political economy, industrial conflict, trade unions, Eastern Europe, labor, workers, Ukraine

1. Introduction

Industrial conflict and its containment has been for decades one of the key areas of research in industrial relations. Spurred by the strike waves that spread across Western Europe starting with 1968, the industrial relations literature had developed two models for understanding how industrial conflict declines after initial upsurges in strike numbers. The first model emphasized institutionalization, the integration of new working class challengers of the industrial relations system into the national-level collective bargaining structures between state, employers, and established trade unions (Clegg 1976). The second model explained the containment of industrial conflict by emphasizing power distributions in society and the strength of labor influence over politics (Korpi/Shalev 1979: 164, 174).

The peculiarities of Eastern European post-communist transition offer a good research setting for studying industrial conflict (in the form of strikes and other public protests of workers) and its containment. These countries have trade unions that are largely excluded from direct participation in the state via relevant collective bargaining structures. The deep and prolonged "transformational recession" (Kornai 1994) coupled with limited political liberalization and absence of strong trade unions raised the question of how governments could contain industrial conflict. The expectation was that in the absence of strong trade unions to translate worker dissent into bargaining positions one would have much more uncoordinated worker militancy and more industrial conflict (Korpi/Shalev 1979). Instead, industrial conflict failed to materialize and an increasing literature tackled the question of how governments contained industrial conflict and to what results. The literature reached two basic conclusions: first, it was argued for the Central Eastern European (CEE) countries that government compensated those groups with severance payments and early retirement schemes that were hurt most by transition (see Vanhuyse 2007 for an overview). Second, for the post-Soviet countries that did not join the European Union (EU), the literature argued that governments avoided industrial conflict by fighting unemployment in two ways. First, governments limited the extent to which companies could lay workers off; second, they

maintained plant-based welfare as a further policy of tying workers to plants (see Gimpelson 2001 and Crowley 1997 for overviews).

This article asks whether and how the containment of industrial conflict takes place in a particular setting, Ukraine at the time of the world economic crisis (2008-2010). I study whether and how the economic crisis disrupts key elements responsible for containing industrial conflict in the post-socialist past, and whether one can observe more or qualitatively different industrial conflict than in the pre-crisis past. After identifying several plants witnessing industrial conflict, I argue that the underlying force for industrial conflict is not independent labor organization (trade unions), but political groups (parties, alliances) seeking to co-opt struggling workers against their political adversaries. As social movement theory argues, political involvement in industrial conflict is important as it might increase conflict, because by signaling workers that there is political interest for their cause, it encourages workers to engage more in conflict.

Political interest in labor situates Ukraine among the countries (together with the CEE-countries) that have ever since 2004 witnessed a rise in what some authors called “populist” political parties (Meseznikov et al 2008). Greskovits (2007) suggested that behind the rise of the populists in the CEE-countries lies the public’s discontent with EU accession conditionality. Obviously, this argument cannot be relevant for Ukraine, and this article suggests on the basis of research in Ukraine that the rise of populists might also be due to a different mechanism (than EU conditionality): the populists’ efforts to court and recruit labor (trade unions and workers as the wider constituency) – generally a marginal actor in post-communist politics so far - in their political struggle against what they portray as the *uklad*, the political establishment.¹

The article has the following structure. The next part looks at the key factors responsible for containing industrial conflict in Ukraine prior to and after 2008 in comparative post-communist perspective. Part three looks at how the world economic crisis brought these factors under pressure and focuses this study on industrial conflict in one particular industrial sector, civil machine-building, a sector that heads the list of Ukraine’s most severely crisis-struck economic sectors. In part four, I study the involvement of the Yulya Tymoshenko Block (BYUT, an alliance of several political parties) in industrial conflict at three machine-building plants, the Ball-Bearings Plant in Vinnitsa, the Machine Plant in Kherson, and the Bus-Plant in L’viv. Part 5 discusses the significance of the involvement of political forces in industrial conflict, and offers an explanation to complement the article’s theoretical framework in order to explain the widespread absence of conflict in machine-building.

The article uses in parts 3 and 4 data from an ethnographic study (consisting of interviews, observation, and archival research) of worker protests in several Ukrainian cities. I carried out interviews with workers, union leaders, management representatives, and politicians, to establish the course of events in each case, to gauge the involvement of trade unions and political forces, and to identify the outcomes of industrial conflict. Data collection took several rounds of fieldwork during September 2007 and July 2009.

2. Containing industrial conflict in Ukraine: a model in crisis?

How did post-communist governments manage the social costs of transition so as to contain industrial conflict and secure the direction of reforms? Industrial conflict is understood here both in the standard way in the industrial relations literature, as strikes (collective interruptions of work), and also in the sense of other forms of worker-organized collective action, such as public demonstrations, roadblocks, and occupations.² One can distinguish two basic approaches followed by governments in preventing industrial conflict. The first one was a strategy of “compensation”, followed by governments in Poland, Hungary, and the Czech Republic. It relied on high expenditures on severance payments, unemployment benefits, and pension funds to secure a peaceful restructuring of the economy (Greskovits 1997, Vanhuyse 2007).

The second approach characterized the larger post-Soviet countries, Russia and Ukraine. It relied on preventing unemployment from translating into conflict not by providing compensation, but by limiting unemployment (even at the price of forsaking restructuring). The increase in unemployment was during the transformational recession far more gradual in Russia and Ukraine than in most CEE countries (Boeri/Terrell 2002). Gimpelson (2001: 26) argues that limiting unemployment was intentional and aimed at containing industrial conflict (or, in his words “the political implications associated with enterprise closures”). The tools for limiting unemployment were policies of underemployment and delayed wage payments. What facilitated these policies was an inheritance from the Soviet system: the provision of important welfare elements (health care, housing) at the plant level. Basically, post-communist governments in Russia and Ukraine continued the Soviet politics of tying workers to the enterprise via a vast range of fringe benefits administered discretionarily by management and unions. This partly resulted in very limited restructuring at the plant-level, with plants keeping sizable workforces and many assets unrelated to production (Gimpelson 2001, Boeri/Terrell 2002).

Discretionarily deployed plant-based welfare has long been considered a key element in containing industrial conflict under communism. Relying on previous work by Burawoy (1985), Kornai (1992), and Clarke and Fairbrother (1993), Crowley (1997: 17) specifically formulated a theory of dependence to explain industrial conflict containment in Russia and Ukraine: “the variation in this level of enterprise dependence [of workers] between industries and even firms [...] can account for much of the variations in strike activity”. The CEE countries differ in this respect, as they have seen a much stronger break with the plant-based welfare provision model already in the transition’s first years. This led to much higher spending on compensation (than in Russia or Ukraine) but also to more plant-level restructuring that some authors link to higher economic growth (Boeri/Terrell 2002; Gimpelson 2001, 2003).

Finally, the post-Soviet approach followed by Russian or Ukrainian governments also relied on (or was facilitated by) severely limiting political liberalization. By political liberalization I mean the opening up of the political space by liberalizing the creation of political organization (parties) to allow political competition over the control of relevant decision-making bodies (with Parliament being the most important one). Starting with 1993 in Russia and during 1994-2004 in Ukraine, the politics of these countries revolved around the institution of the presidency with increasing constraints on political liberalization. Incumbent presidents greatly restricted the parliaments’ powers and relied on the administrative apparatus to ensure re-election (Hough 2001, Mandel 1998, Myagkov et al. 2009). Limiting liberalization might have directly affected industrial conflict, by preventing the establishment of political forces interested in supporting workers and unions engaged in conflict. Furthermore, it might have prevented workers from directly channeling their discontent with falling living standards into support for the political opposition.

The outcome of these approaches in the post-communist countries mentioned above was to generally limit industrial conflict to an extent to which governments could largely avoid the inclusion of labor into relevant decision-making about market reforms (for an overview of how post-communist countries rank in terms of labor influence over governments, see Crowley 2004). There were important exceptions, with strike waves that shook some of these countries: In 1992 Poland (Ost 2005), 1993 Ukraine (Clarke/Fairbrother 1993), and 1997 Russia (Robertson 2007), strike waves sometimes brought down governments or forced elections, but they largely left the course of reforms unaffected. Furthermore, there were countries where governments did not rely on any of the two approaches, prompting strike- and protest-waves that brought down or bogged-down governments (Romania, see Keil/Keil 2002; Bush 2004) or won the inclusion of labor in relevant decision-making bodies (Slovenia, see Stanojevic 2003).

By combining the three variables (political liberalization, extent of economic restructuring, amount of compensation for transition costs) in a dichotomized fashion, one obtains eight possible combinations of approaches, presented in Table 1 below. The first

approach (upper left cell) relied on limiting compensation to the social groups most negatively affected by reforms, limiting plant-level restructuring, and limiting political liberalization. In Russia these trends became increasingly visible with the start of reforms in 1992 and especially with the forced dissolution of Parliament in the 1993 stand-off between the President and the legislative. In Ukraine, the presidency of Leonid Kuchma came into being after an electoral campaign in 1994 during which he promised compensating the victims of transition, but later turned to strengthening his personal grip on power while at the same time introducing limited market reforms (Birch 1998).

Table 1: A typology of government approaches to industrial conflict containment in post-communist countries, 1990-2010

	<i>No political liberalization</i>	<i>Liberalized political system allowing political competition over relevant political posts</i>
<i>Limited compensation for transition costs</i>	<i>Limited restructuring (high levels of workplace welfare)</i> Russia 1993-2000; Ukraine 1994-2004 <i>Extensive restructuring</i> -	<i>Limited restructuring (high levels of workplace welfare)</i> Ukraine 2004-2008 <i>Extensive restructuring</i> Ukraine during world economic crisis (2008-2010); CEE after 2004
<i>Extensive compensation for transition costs</i>	<i>Limited restructuring (high levels of workplace welfare)</i> Russia after 2000 <i>Extensive restructuring</i> -	<i>Limited restructuring (high levels of workplace welfare)</i> - <i>Extensive restructuring</i> CEE 1989-2004

At least for Russia, the approach changed somewhat together with the person holding the presidency, when President Vladimir Putin raised wages and pensions of public sector workers (lower-left cell).³ The approach also relied on continuing to limit the restructuring at the plant-level in order to keep unemployment figures down. Under the Putin-presidency there was also increased interference with Parliament, with the President heavily involved in shaping a pro-presidential party to dominate the legislative (Lemaître 2006).

The CEE countries followed a very different approach. Compensation offered to disaffected groups was much higher than in Russia or Ukraine (Bohle/Greskovits 2007), and plant-level restructuring was extensive. Similarly, political liberalization took off very early. The situation changed with EU-accession, so that after 2004, the CEE countries show up in Table 1 in the upper-right cell. EU-accession heavily restricted the capacity of CEE countries to spend on compensation, particularly in light of the Maastricht convergence criteria. Coupled with the extensive political liberalization starting with 1989 in these countries, public discontent over transition outcomes and cutbacks in compensation spilled over into support for new political formations, the populist parties, rather than into industrial conflict (Greskovits 2007).

The countries in the upper-right cell face most limitations in terms of containing industrial conflict. First, for various reasons, states can spend less on compensating the disaffected, particularly with the onset of the world economic crisis. Second, in the case of the CEE countries, restructuring at the plant-level is already largely implemented. Alternatively, restructuring might be taking place because of the fall in aggregate demand that the Ukrainian

economy is undergoing due to the economic crisis. The crisis can be expected to spur restructuring at the plant-level in Ukraine because it increases hard-budget constraints and loosens labor markets. Loosening labor markets (increasing unemployment) offers employers less incentives to resort to plant-administered welfare to stabilize the workforce turnover. Hardening budget constraints (due to falling demand for their products and therefore decreasing profits) will make it more expensive for employers to sustain plant-administered welfare. Evidence for these developments is mixed, at best. As we will see, despite a huge crisis-induced fall in industrial output in manufacturing, employers did not respond to the fall in output by massively laying workers off. Nevertheless, the crisis did lead a few manufacturers to partially or entirely close down their operations, and this article sets out to investigate whether in these cases restructuring (in the form of layoffs) spurred industrial conflict.

Containing industrial conflict should be more difficult for the countries in the upper-right cell also due to their extensive political liberalization, reached either largely around 1989 (CEE), or in 2004 with the opposition's victory in the Ukrainian presidential race. Political forces might be more willing to take part in industrial conflict on the side of workers in order to secure more electoral support.

Table 1 has one major potential implication for Ukraine: due to a number of developments (political liberalization, the onset of the economic crisis), one can expect – following dependence theory - that containing industrial conflict is becoming increasingly difficult in Ukraine. This article sets out to see whether balancing compensation with plant-level welfare can be expected to become less realistic (because of the restructuring induced by the world economic crisis) and therefore more conducive to industrial conflict. The liberalization of the political space since 2004 might also hold new prospects for industrial conflict. How the argument works is explained in section 4 below. 4

Finding evidence for what is happening to the link between plant-level welfare and industrial conflict is difficult due to data collection issues. Data used in previous studies usually cover only one of these concepts (plant-level welfare or industrial conflict), and usually rely on one-time surveys (see the literature in business studies on the “traditional social welfare” strategy of managing human resources, Buck et al, 2003). But most importantly, the data do not cover developments during the current world economic crisis, when on the basis of dependence theory (Crowley 1997) we would expect that a decline in plant-level welfare provision (increased restructuring) will spur industrial conflict to the extent that workers receive less compensation.

Where can we look for evidence for the extent to which ongoing restructuring hurting plant-based welfare actually spurs industrial conflict in Ukraine? Since entitlement to plant-based welfare requires actual employment, whether the interruption of the employment relationship (layoffs) leads to industrial conflict should be regarded as evidence for the causal link predicted by dependence theory. The problem with looking for evidence of industrial conflict in the aftermath of layoffs is that it leads us away from industrial conflict traditionally operationalized as strikes: In a situation of extensive (or full) layoffs or wage arrears the act of striking – withholding productivity - does not really make sense, from a workers' perspective. Why withhold productivity when the employer is not interested in producing? (Wage arrears represent unpaid wages that employers owe their employees.) We should expect that worker responses to layoffs and the implied loss in plant-based welfare provision do not take the form of strikes but of public protests such as demonstrations, road blocks, or factory occupations.

Furthermore, I expect the link between decreasing welfare provision and industrial conflict to be rather weak, despite the strong formulations of the author who developed dependence theory (Crowley 1997). This is so because in my opinion dependence theory ignores the many other elements that industrial conflict – as a form of collective action – needs in order to come about. Basically, dependence theory links industrial conflict to the costs and benefits that workers associate with collective action; in most dependence theory accounts, such costs and benefits can be objectively identified by an external observer. But social movement theory has identified many elements other than cost-benefit calculations and developed a model for

explaining collective action that identifies several other elements that collective action needs in order to come about (Tilly 1978: 56). Furthermore, even in the only account that grants cost-benefits calculations the status of a necessary and sufficient condition for collective action (McAdam 1998; see Kelly 1998 for an application to industrial relations), social movement theory posits the existence of a complex pattern of elements that in turn explain the development of cost-benefit calculations. For McAdam, the existence of an objective breach of rights (such as a reduction in welfare provision, or simply the employer's refusal to pay workers) is only one of seven elements that influence the extent to which cost-benefit calculations actually bring about collective action.

I will follow Gimpelson (2001; one of the authors to study the link between plant-level incentive structures and industrial conflict in Russia) and consider only full layoffs or layoffs targeting a majority of a plant's employees as the type of layoffs most likely to spur industrial conflict. Confronted with the puzzle of wage arrears spurring more industrial conflict than lay-offs do, Gimpelson argued that layoffs in Russia in the 1990s spurred less conflict since they were partial: partial lay-offs (targeting only a minority of the employees) tend to target the "weakest" employees, those with the least bargaining power and protest potential, so one should not expect too much industrial conflict to follow (actually in 99% of the cases of industrial conflict in Russia the topic was wage arrears, not layoffs). In contrast, full layoffs can be expected to harbor more conflict, as "because high unemployment comes with more active use of bankruptcies and layoffs, it affects relatively "stronger" workers as well. Its effect is less selective [...]". Back when Gimpelson wrote his study (2001) there were few cases in Russia and Ukraine of full layoffs, and none was studied in the literature. The current economic crisis, however, produced several cases of full layoffs, and this article will look into the question whether and how they spurred industrial conflict. Furthermore, such cases of full layoffs in Ukraine occurred in a context that has seen more political liberalization than Russia, allowing both putting dependence theory to a test and seeing how political forces affect industrial conflict.

I will argue that political forces took up some of the key tasks of trade unions, such as representing workers vis-à-vis employers. In accordance with social movement theory, political interest in the fate of workers might be important for industrial conflict, as it can signal to other workers that collective action in the form of public protests is a meaningful strategy to resolve their grievances.

The next part presents in more detail the changes in terms of industrial conflict containment in Ukraine. I will first look at the situation of the biggest trade union organization, the FPU, and why it cannot be expected to represent the driving force behind industrial conflict. Arguably, the FPU is now even less able to participate in industrial conflict than in the recent pre-crisis past. It has increasingly become a field of confrontation between the main political forces: the Party of Regions (hereafter PR) and the Orange political forces (BYUT and *Nasha Ukraina*) that despite all the disagreements controlled both the Presidency and Parliament during the period December 2007 – February 2010. Furthermore, sensing the FPU's weakness, opposing groups have since 2008 attempted to take control over FPU property via violent actions. A more partisan and vulnerable FPU means even less readiness to engage in industrial conflict, leaving more room for the involvement of political forces.

I will also discuss in more detail the changes that the economic crisis brought in terms of restructuring at the plant-level. It will be argued that the crisis had little impact on the containment of industrial conflict: There were very few cases of full layoffs, and although all of them led to some form of industrial conflict, one is left wondering not only why was there so little industrial conflict, but also why were there so few cases of large or full layoffs. What other responses to falling output and profits could employers develop in order to avoid mass layoffs? Furthermore, in the few cases that did experience layoffs and industrial conflict it is striking that the forces behind industrial conflict are not the country's unions, largely incapacitated by the political struggles to control them. Instead, it is groups of disaffected workers receiving selective support from BYUT that make up the bulk of industrial conflict in civil machine-building, Ukraine's most crisis-hit industry sector.

3. Post-2004 approaches to containing industrial conflict in Ukraine: political liberalization and the FPU

The “Kuchma” years

Theories of industrial conflict containment in Western Europe have repeatedly stressed the role of trade unions in explaining industrial conflict; the expectation was to find high levels of industrial conflict in settings with weak unions. Throughout transition trade unions in Ukraine appeared weak on a number of dimensions (Crowley 2004). Furthermore, I argue in this section that the political liberalization that took off in 2004 failed to strengthen trade unions in Ukraine. Quite to the contrary, it seems that the battle between political forces over the control of trade unions has incapacitated them even further.

The Federation of Trade Unions of Ukraine (FPU) stands out as the country's largest labor organization. There is significant disagreement over the extent to which one can and should call the FPU a federation of *trade unions*, given that trade unions making up the FPU have not emerged from below, as “coalitions of labor suppliers” as in Western European countries (Offe 1985). Instead, the trade unions of the FPU are the official inheritors of the communist era trade union organization, an instrument of Soviet control over society (one of the four corners of power in the Soviet Union, next to the Party, the Government, and the Komsomol). While, for instance, in the Baltic countries there were significant pressures to reform former Soviet unions, resulting in an effort to democratically re-establish the unions, in Ukraine (and Russia) this was not the case. Trade unions did not delimit themselves ideologically, practically, or in terms of personnel from the tasks that they carried out before the dissolution of the Soviet Union.

Irrespective of the FPU being a coalition of labor suppliers or not, it still organizes a very large share of the country's workforce, declaring a membership of some 10 million. Even if that number is probably inflated, in the World Values Survey (WVS) almost 36% of full-time employees declared union membership in 1999, a figure higher than in any other former communist country except for Russia and Belarus. In the 2006 WVS Ukraine still had around 30% union members among the full-time employed. (World Values Survey Association, 2009) Given that other unions (the Confederation of Free Trade Unions of Ukraine, KVPU) self-report a membership figure somewhere around 100,000, it can be said that the overwhelming majority of the 30% figure holds FPU membership.

The main reason why the FPU matters, however, is because it represents the key to containing industrial conflict in Ukraine. The FPU retains high membership numbers as it still manages important welfare elements, ranging from the ubiquitous holiday tickets to union-administered housing and health care. But because in Ukraine it is forbidden to hold membership of several trade unions, FPU membership effectively contains the employees' propensity to establish or join non-FPU trade unions, since any newly established trade union will have to compete with the FPU offer of welfare elements.

Similarly to other post-Soviet states, Ukraine, too, underwent significant industrial conflict in the early days of transition. The general strike of 1993 even prompted the elections that brought Leonid Kuchma to power. Needless to say, the FPU was largely absent from industrial conflict (see for instance the description of the 1993 strike in Borisov/Clarke 1993). Instead, it was the miners' trade unions in the country's East - to a certain extent organized independently of the FPU- that were behind most of the country's industrial conflict. It was against these unions that President Leonid Kuchma concentrated most of his efforts to contain industrial conflict, and by 1998 largely achieved that task through a strategy of co-optation, selective compensation and tough actions – including arrests – against union leaders (Pan'kova/Ivashchenko 2006). Although conflict barely spread to economic sectors other than mining, not all other workers stood silent during transition. Workers in civil-machine-building did organize repeated but fragmented protests against plant-closure and wage arrears in their sector, largely as the leadership of their branch union explicitly went against the FPU

approach. Yet by 2000 FPU-supported leadership changes managed to contain conflict also in this sector (Mandel 2004).

The “Orange” years, 2004-2010

The political upheaval in November-December 2004 brought two significant changes for the FPU. First, the FPU clearly signaled its readiness to engage in the political struggle between the Party of Regions (the political formation closest to former president Leonid Kuchma and his protégé, Viktor Yanukovich) and the “Orange” political forces (*Nasha Ukraina* and BYUT). In 2006 the FPU organized the first mass rally in opposition to the government in its history, in protest against the “Orange” government of Prime-Minister Yuri Yekhanurov. It drew some 15,000 participants, most of them transported to Kyiv by the FPU’s regional organizations from all over the country.

Second, the two political camps (the Party of Regions and the “Orange” camp) appeared to have been fighting over the control of the FPU. Ever since 2002 the FPU top leadership had chosen the Party of Regions, with then FPU president Alexandr Stoyan switching membership from *Nasha Ukraina* to the Party of Regions in 2002 and then officially joining the Party of Regions in 2005.⁵ In 2005 Stoyan resigned from his FPU job to concentrate on his parliamentary mandate. His successor to the FPU presidency, Aleksandr Yurkin, did not hold membership of any political party. It was probably the 2006 FPU-led demonstration in Kyiv that signaled to the Orange forces that the FPU might target them with public protests. Possibly in a response of the Orange government to these protests, several arrests of top FPU officers over embezzlement and corruption charges took place in 2008. The arrests prompted Yurkin’s resignation (*Kommersant*, July 16, 2008; arrests on corruption charges are extremely rare in Ukraine, and the fact that they targeted FPU leaders was probably no coincidence).

In the battle for succession that followed throughout 2008, it was again a Party of Regions member and member of the Parliament that won the FPU presidency in November 2008, Vasiliy Khara. He soon promised the BYUT-led government of Yulia Tymoshenko a wave of protests over the government’s alleged mismanagement of the economy (“If we do not lead the protest process, the people itself will sweep them all to hell”; *Glavred*, December 16, 2008). The November 2009 anti-government protests proved, however, an embarrassment for the FPU, with less than 5,000 attending the demonstration in Kyiv.

Another significant development for the FPU, this time signaling its increased vulnerability, was the creation of the National Forum of Trade Unions of Ukraine (NPFU) in late 2004, a mysterious organization created from the void, with no other known trade union or mobilization preceding its creation. Literally, the NPFU appeared out of the blue, and currently claims to have a membership of 2 million. One interviewee claims the NPFU to be a clone of the FPU, set up by business groups in order to take over the billions-worth assets in real estate property of the FPU.⁶ The most important event came on November 16, 2008. That day unknown assailants attempted to raid FPU offices throughout Ukraine, including in Kyiv, allegedly in order to take control over FPU official documents and stamps (in Ukraine, as elsewhere in Eastern Europe, an official signature is not legally valid without a stamp). The attacks took place simultaneously on a Sunday in almost every one of Ukraine’s 27 regions and followed the same scenario: the organizers attempted to capture FPU official documents and stamps to legalize elections taking place elsewhere in the city (the point of the elections was to elect other FPU leaders). The attacks largely failed, and in no Ukrainian region could the attackers change FPU leaders. The attackers nevertheless succeeded to take control over FPU documents in Zhytomir, Rovno, L’viv, Odessa, and Chernihiv.

Several voices from inside the FPU blamed the attacks on the NPFU, and so did the Minister Interior Affairs Yuri Lutsenko (*Kommersant*, November 17, 2008). Despite the size of the attack, the affair was quickly forgotten: only one arrest was made (the leader of the L’viv raiders), no other official inquiry followed, and the FPU dropped all charges. What is significant about the story is that the FPU enjoyed no state protection during these events. In “Orange” times, the state would not guarantee the safety of FPU property and property as in

the Kuchma-times when the FPU head used to be the a member of the pro-presidential party in Parliament. The “Orange” years meant for the FPU the arrests of top leaders and the state’s tolerance vis-à-vis massive attacks to take over FPU property.

The political liberalization triggered by the Orange Revolution did not benefit the FPU much. Quite to the contrary, it intensified the political battle over its control. With the Orange Revolution, the FPU no longer enjoyed the protection of the government, something that the latter demonstrated with the arrests targeting FPU officials in 2008. This in turn signaled to groups such as the NFPU that the FPU is vulnerable and launched attacks to take over its assets. Following these events, the FPU seems even more incapacitated than in the Kuchma-years to take part in industrial conflict and lead worker protests.

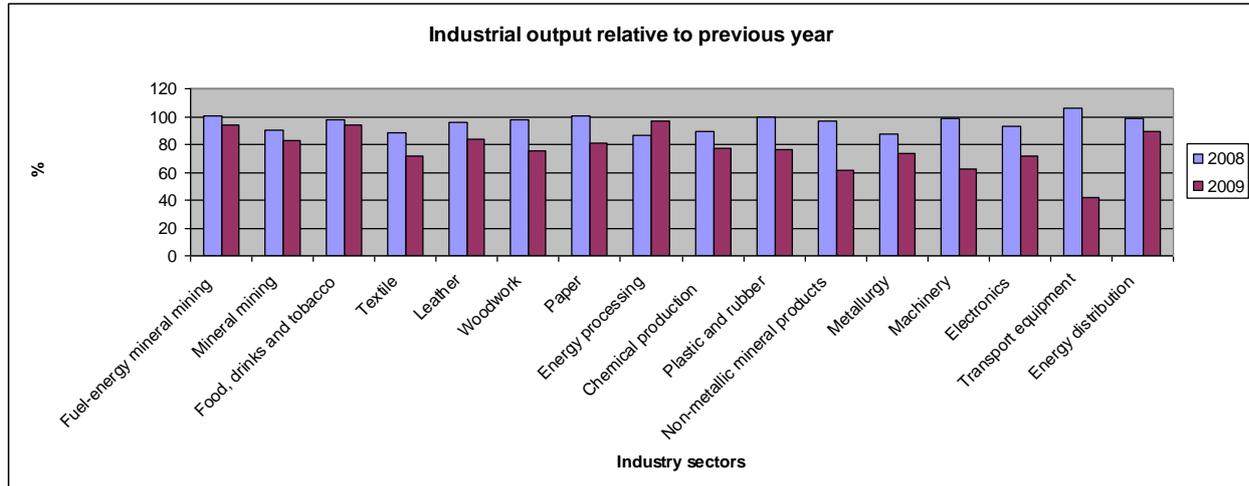
The world economic crisis would deliver another blow to the FPU: by striking at the factories’ capacity to deliver FPU-administered welfare, it makes the FPU less relevant for containing industrial conflict. In the reminder of this part I focus on how the crisis spurs conflict at FPU-organized plants, and how instead of the FPU it is local authorities (at that time under the control of *Nasha Ukraina* politicians) and BYUT that step in to respond to worker grievances. I argue that while the crisis made the FPU less irrelevant, it offers political forces the chance of interfering in industrial conflict to further their electoral interests. As social movement theory argues, political involvement in industrial conflict is important as it might encourage more worker participation in conflicts and therefore more conflict to the extent that political involvement might lead to a positive response to worker demands.

4. The economic crisis and political involvement in industrial conflict in Ukraine

The economic crisis

I argue that political liberalization (and specifically the rise of the *Yulia Tymoshenko Bloc*, BYUT) matters for industrial conflict containment especially in the context of the world economic crisis. This is so because the crisis has led to an increase in wage arrears and plant-level restructuring, weakening the FPU’s grip over workers and increasing worker discontent. In addition, political liberalization led to the consolidation of political forces with an interest in industrial conflict. Political liberalization means in this context that the Presidency is not the single locus of power in a country’s politics anymore; Parliament emerged from the constitutional changes initiated after the Orange Revolution as a relevant locus of decision making (Hale 2006). Of course, liberalization would not matter too much if there had not been also increasing differentiation and antagonism between Ukrainian business groups: a rough cleavage nowadays divides the steel-industry and banking oligarchs supporting the Party of Regions (PR) from the machine-building business groups that have joined the Orange political formations (BYUT and *Nasha Ukraina*). Much of this differentiation took place after the Orange Revolution and therefore could have been facilitated by political liberalization; while most of the big business names held PR membership before 2004, most of the business people that today support the Orange forces have joined them after 2004.⁷

The crisis to reach Ukraine around 2008 brought havoc to one of Eastern Europe’s few countries that had not recovered by that year from the transformational recession of the 1990s (recovery is achieved when a post-communist country’s GDP reaches 100% of the 1989-1991 period). In 2009, Ukraine’s GDP fell by 15% (*Ukrinform*, February 24, 20108). Industrial production went down by 21.9% the same year, with the biggest fall registered in machine-building (-45.1%, see *Kommersant*, January 19, 20109). Figure 1 below presents data in terms of output change (relative to the previous year) for Ukraine’s key industrial sectors.

Figure 1: The crisis in Ukraine - industrial output relative to previous year

Source: The State Statistics Office of Ukraine, http://ukrstat.gov.ua/operativ/operativ2007/-pr/prm_ric/prm_ric_e/ipv2006_e.html (retrieved 26.10.2010; in the figure, machine-building comprises “Machinery” and “Transport equipment”)

The FPU’s branch-level organization in civil machine-building, ASMU – the union of civil machine-constructors - was devastated, losing about half of its membership due to collective layoffs in 2008 and the first months of 2009 (down from 106,000 to 60,000).¹⁰ Some of the country’s biggest plants in machine-constructing announced partial or full layoffs (going bankrupt), and at very few of them there was also a sharp increase in industrial conflict. Industrial conflict remains – even in what represents the most crisis-struck branch in Ukrainian economy – an exception. During my fieldwork I found out that out of ASMU’s 182 plant-level organizations (one for each plant) the crisis spurred industrial conflict only at three plants. All these plants were cases where the issue that spurred conflict was full layoffs. This might indeed seem very little. However, if one looks only at the ASMU-organized plants that witnessed mass layoffs (the Kharkiv Truck Factory, the car-plants ZAZ, KrAZ, the Bohdan Holding car-plants in Lutsk and Cherkassy, the bus plant in L’viv, the ball-bearings plant in Vinnitsa, and the harvester-plant in Kherson), then the share of plants witnessing industrial conflict rises to three out of eight. The three places to see conflict were the only cases featuring full layoffs: L’viv (bus plant), Kherson (harvester plant), and Vinnitsa (ball-bearings plant).

The cases of conflict and political involvement

All three cases listed in Table 2 below – the machine-building plants in L’viv, Kherson, and Vinnitsa – underwent protracted crises of wage arrears followed by the employers’ publicly stated desire to close down the plant (January 2008 - Vinnitsa, November 2008 - Kherson) or to lay everybody off in until better times would follow (December 2008 – L’viv). At all three plants workers launched protests in the aftermath of the employers’ declarations of intending to close down the plant or to lay everybody off. Workers demanded the return of wage arrears and that their jobs be saved – the workers expressed the latter demand as “nationalization”, but in practice were ready to abandon nationalization should production be resumed, wages paid on time, and jobs maintained. Following the employer’s refusal to negotiate in the months of conflict that followed, workers attempted to trigger the authorities’ involvement to sanction what workers considered a violation of their rights. What differed among the cases were the authorities’ and the political parties’ reactions, all presented in the table below together with background data on the situation at each plant during the time of the conflict.

Table 2: Overview of cases of conflict at machine-building plants during economic crisis

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

				arrest Churkin for 2 hours in March 2009		
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Source: Ethnographic study 2007-2010 in Vinnitsa and Kherson, and various press sources for the bus-plant in L'viv. The abbreviation BTS refers to *Bilotserkovsel'mash*, a company producing agricultural machines. Abbreviations of names of political parties refer to the Party of Regions (PR), the Yulia Tymoshenko Block (BYUT), the Communist Party of Ukraine (KPU).

The reaction of local authorities

The local authorities were at the time of the conflicts at these plants under the control of governors holding *Nasha Ukraina* membership (because the President of Ukraine at that time, who names the governors of Ukraine's 27 regions, had been a member of that party). Although appointed by the President, the governors act as representatives of the government in each of Ukraine's regions. Under Tymoshenko, there were many conflicts between Prime-minister and President over which of the two actually represents the authority that governors report to. However, such problems have not marred the relationship between Tymoshenko and the governors of the three regions where the plants presented in table 2 are located.

There are big differences in how the local authorities in the three regions reacted to industrial conflict (keeping in mind that in all three cases, workers did not just take action against the employer, but also targeted the local authorities via demonstrations and roadblocks). In L'viv, local authorities went the furthest in meeting worker demands and took swift action against the employer: they arrested the plant's owner and general manager (under the charge of owing salaries to employees, a crime in Ukraine), and canceled in court the owner's decision to lay off the workers. Authorities also took action against the workers who participated in the March 2009 roadblock in front of the bus plant (but, although they did charge workers, nobody was prosecuted or sentenced).

In Vinnitsa, local authorities under governor control refused to register the owner's decision to shut down the ball-bearings plant until the owner would reach a deal with the union-led workers. Most importantly, the governor traveled to far-away Donetsk to negotiate with the plant owner and convince him to invest at the plant rather than close it down. As later the owner refused to invest, motivating his decision by claiming that the economic crisis has left him short of funds, the governor stepped in to guarantee a deal between union and employer. The deal foresaw that the employer would extend laid-off workers generous severance payments in exchange for the union not carrying out any protest actions anymore.

Last, in Kherson industrial conflict took the most extreme form when 300 workers occupied the harvester plant in February 2009. After being evacuated by force from the plant (after six weeks) by private security-personnel, groups of workers continued to block traffic in the city and over the strategic Antonovskii Bridge over the Dnepr (the last roadblock took place in December 2009). The local authorities started legal action to cancel the owner's order to lay-off 900 workers. A corresponding court decision canceling the layoffs came only in March 2010, and the owner ever since refuses to implement it, without any consequences for him or his company.

The actor best-placed to react to the worker protests, the FPU, kept a low profile during the cases of industrial conflict introduced above. Its leaders (including the leaders of the machine-constructing union ASMU) refrained from any public association with the protesting workers. Instead, ASMU sought involvement in the Kherson conflict only after the employer finished the occupation with the help of private security personnel and organized an anti-governmental picket in Kyiv with paid participants.¹¹ ASMU was present at the demonstration and allowed the HMZ general manager to blame the conflict between employer and workers on the government in an interview in ASMU's official newspaper, *Yednist'* (June 2009).

What is important about the actions of local authorities is that they set precedents for industrial conflict. There is wide variation in terms of how local authorities reacted to worker protests, but in none of these cases did authorities ignore or repress worker protests as in the 1990s or in the few cases of industrial conflict before 2004. The actions of local authorities represent premieres in Ukraine: there were no similar instances of authorities taking the side of workers in industrial conflict prior to the Orange Revolution. It is notorious that Ukraine's legal stipulations making nonpayment of wages a criminal offense have never been put to use until the 2009 arrests in L'viv. The involvement of the Tymoshenko-government in these conflicts sets further precedents.

Political parties

The most significant case of political involvement in industrial conflict is the Tymoshenko-government's decision to step in and positively respond to worker demands in the aftermath of an illegal action by workers in Kherson (who in February 2009 occupied their plant). Following that occupation, Tymoshenko agreed to extend help to the plant to sell its harvesters and transferred money in advance to the plant so that workers would receive their due wages. Following the summer 2009 roadblocks, Tymoshenko publicly stated that she will support the nationalization of the plant. Later on, BYUT MPs supported the initiative of KPU parliamentarians and adopted a law nationalizing the harvester plant. This was the most direct and effective example of high-level political involvement in industrial conflict. In Vinnitsa, political involvement in 2008 was much less effective. The Tymoshenko government ordered the creation of a commission to look into the legality of employer actions at the ball-bearings plant, but the recommendations of that commission – the start of a legal inquiry – were never implemented by the Ministry of Justice and the Ministry of Interior Affairs. Last, in the third case – the bus plant in L'viv – the Tymoshenko government restricted actions to declarations – although quite radical in terms of arguing in favor of nationalizing the plant:

I have had a meeting with the representatives of the L'viv bus plant's collective, I talked to them and learned that the plant, which has been seized by a private owner, today throws the people out in the street, and does not pay wages. [...] We will decide [about the re-privatization] together with the State Property Fund, local authorities and LAZ employees" (*Schodennyi L'viv*, June 26, 2009, author's translation).

As in the case of the local authorities' actions, there is considerable variation in terms of what government declared, did, and achieved. There was, however, a clear trend in these actions of positively responding to worker protests from below. Most importantly, government action set precedents in that it made it possible that worker protests in Kherson might end in nationalization (whether the present, Party-of-Regions dominated government will enact the nationalization law remains to be seen). It is also quite clear that the Tymoshenko government did not follow a clear logic of targeting its main political rival, PR: only two of the owners of plants undergoing industrial conflict are connected to that political party (the owners of the plants in Vinnitsa and Kherson). There is no information connecting the owner of the bus plant in L'viv to the Party of Regions. Had the Tymoshenko-government wanted to strike at PR, we would have seen at least more declarations of Tymoshenko emphasizing the connections between the owners of these plants and the Party of Regions. Instead, Tymoshenko made such a declaration only in the case of the Kherson conflict:

At the beginning of this year we bought for the leasing fund a lot of equipment from the Kherson Machine-Building Plant. We helped out once and thought that after this the private owners will continue this business and actually give the plant a second life. But the means were not spent as required, the people were laid-off, and the Kherson Machine-Building Plant simply needs to be taken back into state property from those members of the Party of Regions that own it. And now I have started such a process, via the State Property Fund: the return of this plant into state property. [...] Once this enterprise will be state property, the government can be held accountable for it. (*Unian*, July 23, 2009; author's translation)

Rather than striking at its political rival, the Tymoshenko government was probably striking at the entire political establishment it had continuously criticized ever since the Orange Revolution for having built its power on the basis of illegal privatizations. In fact, Tymoshenko did little to keep her 2005 pledge to review “over 3,000 privatizations” (*Transitions Online*, March 15, 2005). But how much she achieves in practice is probably less important to her than the extent to which her declarations help her wrestle votes from other political formations. And BYUT has been the only political formation in Parliament continuously expanding its share of votes, becoming the country's second biggest political formation in Parliament in 2007. Especially the rise in votes in comparison to the 2006 elections was due to BYUT's capacity to attract votes on the left, even pushing the Socialist Party out of Parliament in 2007 (Hinich et al. 2008).

5. Discussion: industrial conflict and political involvement

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

BYUT's involvement in industrial conflict might be of interest to scholars of post-communism and populism for the following reason. With its actions BYUT is courting the working class in a similar way to what Central and Eastern Europe's new “populists” have been doing in Poland (PiS) or Slovakia (SMER): courting the workers and their labor organizations in exchange for electoral support (Meardi 2007; during the first decade of post-communism politicians ignored workers and marginalized trade unions, prompting Greskovits to write of the syndrome of the lonely economic reformer, see Greskovits 1998). Similarly to parties such as Poland's PiS and Slovakia's SMER, BYUT, too, calls into question what appeared an undisputed, consensual reform area throughout transition: privatizations. The Ukrainian case can be helpful for understanding what could be one of the driving forces behind the new populist forces in Eastern Europe, as it helps controlling for what has been one of the explanations put forward for facilitating the rise of populists in CEE: the conditionality imposed on government spending by EU accession in 2004 and the population's resulting dissatisfaction (Greskovits 2007). In contrast, the rise of the populists might be linked not only with the public's dissatisfaction around living standards that is present everywhere throughout Eastern Europe, but with these forces' political strategies of courting long-ignored constituencies.

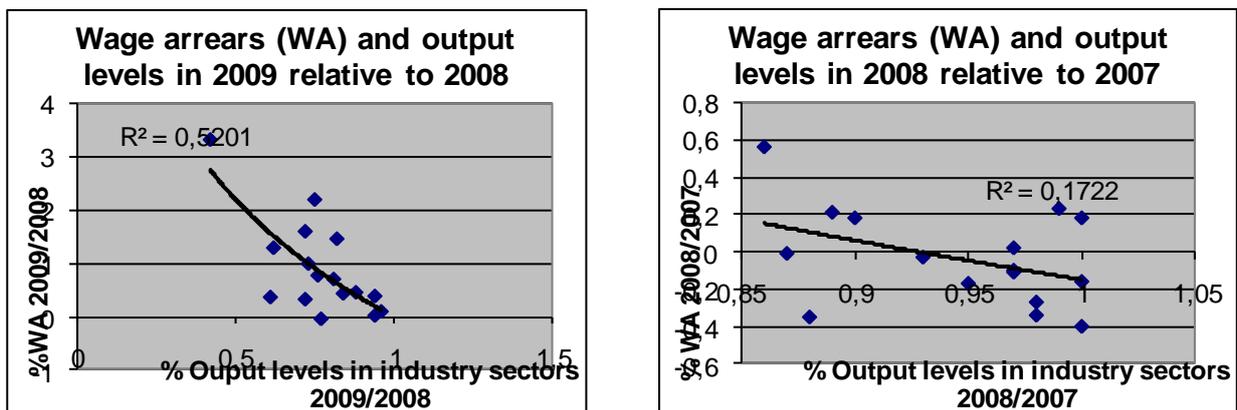
This article also set out to investigate whether crisis-induced restructuring might spur industrial conflict, an expectation developed from dependence theory. The ethnographic data did show that restructuring can lead to industrial conflict. However it has also shown that there has been very little industrial conflict or, better said, very little restructuring in the form of full layoffs. It seems that despite producing a massive fall in output, the crisis did not also lead to restructuring (mass layoffs and welfare reduction). Instead, employers probably have more options to respond to falling output and decreasing profits than simply to lay off large

parts of the workforce. They might adjust layoffs to target more vulnerable and less protest prone groups of workers, or they might return to the widespread use of wage arrears. I will discuss each of these two possible employer actions in turn.

The rise in unemployment in Ukraine did not exceed pre-crisis levels by more than two points (using survey data collected in accordance with International Labor Organization definitions). The crisis did accelerate the decrease of Ukraine's industrial workforce. In manufacturing, although stagnating in 2004-5, the workforce accelerated its decrease from 36,200 workers leaving it in 2006 to 72,000 and 102,000 in 2007 and 2008, respectively (down from 4,072m in 2005 to 3,871m in 2008; the source of the data is the laborsta.ilo.org database, retrieved 26.09.2010). However, this survey-based data does not offer any details on which manufacturing sectors have shed more labor than others, and there are also no details as to the development of the workforce in 2009, the peak year of the crisis. Data on the development of wage arrears is however far more accurate.

Wage arrears (the sum of unpaid wages that employers owe their employees) in the industry were not yet rising in 2008 relative to 2007: a rise took place in the extracting and chemical industries (18% and 21% respectively), and in coal and oil processing (56%). In all other manufacturing branches, arrears were diminishing, and especially so in civil machine-building (-34%). The situation changed dramatically in 2009. Wage arrears decreased in the chemical industry (-7%), and slowed down their growth in processing (+9%), accelerated somewhat in the extracting branches (+22%), and literally exploded in machine-building and electronics: up from a negative rate the year before to +129% in machine-building (other than transport equipment), +160% in electronics, and +333.8% in transport equipment. In fact, the correlation between wage arrears growth and output fall relative to the previous year increases as the crisis advances. As Figure 2 shows, as the crisis advances, the fall in output becomes an increasingly better predictor of the size of wage arrears for each industrial branch. The figure shows data on output fall and wage arrears relative to the previous year (percentage points) in 2008 and 2009.

Figure 2: Correlations of output fall and wage arrears in Ukraine's industry, 2007-2009 (figures on both axes represent the change to the previous year for each industry sector)



Note: The industrial sectors included in Figure 1 are: fuel-energy mining; mineral mining (without fuel-energy); food, drinks, and tobacco industry; textile; leather; woodwork; paper industry; energy processing; chemical production; plastic and rubber production; non-metallic mineral products; metallurgy; machinery; electronics; transport equipment; energy (gas, water, and electricity) distribution.

Source: Author's calculations based on the State Statistics of Ukraine's data, available at ukrstat.gov.ua (retrieved 26.09.2010)

The R^2 values (the squared correlation coefficients) are higher in 2009 as compared to 2008 (R^2 is 0,52 and 0,17 respectively, and it decreases down to 0,075 if one uses the output fall from 2008 to predict the wage arrears of 2009). This suggests that employers are probably more likely to respond to the fall in output and profits by stopping from paying workers their wages (for an analysis why wage arrears are not a sufficient condition for industrial conflict, see Gimpelson 2001)¹². This employers' response in terms of wage arrears - rather than resorting to layoffs – might explain why we see much less conflict than expected on the basis of dependence theory. However, more research is needed to answer the question about the extent to which employers combine wage arrears and targeted (as opposed to full) layoffs in response to falling industrial output. Furthermore, we need additional research also to establish the extent to which such combinations in turn impact on industrial conflict.

6. Conclusions

The article has argued that in line with theories expecting workplace welfare to limit industrial conflict, developments in Ukraine during the current world economic crisis help confirm that expectation: the reduction in workplace welfare did indeed spur industrial conflict at the plants that underwent full-layoffs. The article went further and studied which actors replace trade unions in responding to worker grievances sparking industrial conflict, and has underlined that local authorities and the BYUT-led government played a key role in representing workers against employers during conflicts at three Ukrainian machine-building plants. With the FPU trade union federation incapacitated by political fights over its control, the world economic crisis helped make it even more irrelevant by limiting the FPU's role in providing workers with social benefits. One political force, BYUT – incidentally the one that has witnessed the highest increase in votes over the past years – took over the role that trade unions were supposed to play in industrial conflict and supported workers in their protests. BYUT's involvement in industrial conflict might set an important precedent for the country in terms of possibly complicating the containment of industrial conflict for future governments.

Notes

- 1 The *uklad* (literally: “system”, also translated as “network”) is the term that the most famous among Eastern Europe's new populist parties, Poland's “Law and Justice” party, uses to denote the political establishment.
- 2 In the industrial relations literature industrial conflict is synonymous with strikes and strike activity. The debate was not over how inclusive the definition of industrial conflict should be, but more over how to measure strike activity (see for instance Britt/Galle 1972). However, in the context of post-communist transition, defining industrial conflict as strikes might lead to serious bias, since many worker-led conflicts did not take that particular form, but instead consisted of demonstrations and roadblocks (see for instance, the much studied 1997-1998 ‘rail wars’ in Russia). The reason is that strikes make sense in an economy that focuses on production, and not in one that focuses on exchange (Burawoy 2001).
- 3 In comparison to the Yeltsin period, President Vladimir Putin raised the wages of public sector workers and the pensions of retirees. On the other hand, he introduced reforms that limited social welfare provision and even sparked mass protests in 2004 following Putin's plan to monetize in-kind benefits (Wengle/Rasell 2008; Cook 2007).
- 4 The empirical cases will show, however, that there was far less industrial conflict than expected given the sharp decrease in industrial output. In part 5, the article explains the lack of industrial conflict in terms of employers having also other means of reacting to the fall in output and profits than restructuring and ensuing layoffs. Such means include as before a reliance on wage arrears (not paying workers anymore their full wages, but keeping them employed), and layoffs targeted on weaker segments of the workforce.
- 5 toyan was officially a member of the *Nasha Ukraina* as late as 2005. He held the second position on the *Nasha Ukraina* electoral list in 2002. As of December 2002 Stoyan *de facto* joined the PR faction without formally leaving *Nasha Ukraina*, prompting Viktor Yushchenko, the *Nasha Ukraina* leader, to openly express the wish to hit Stoyan in the face (*Ezhenedel'nik* 2000, December 13, 2002).

- 6 See the interview with the former head of the FPU machine-builders' union, Chernihiv, June 2009. The NFPU closely copies the insignia, official colors and abbreviation of FPU, quite a bizarre fact given that the NFPU has ever since its creation been a very vocal critic of the FPU. As to the NFPU's membership claims, it is maybe useful to have a look at the Confederation of Free Trade Unions of Ukraine, an organization that emerged from the miner strikes accompanying the fall of the Soviet Union, and that could not – in competition with the FPU - reach more than 100,000 members in its 20 years history (if one also counts the years that the Confederation existed only in the form of the Independent Union of Miners). It is doubtful that the NFPU – an organization to launch no strikes and unknown to be organizing any particular plant in the country - could reach a membership 20-times higher than the KVPU – an organization arising from a known social movement - in only four years.
- 7 The two richest businessmen presently holding BYUT membership have joined that formation after the Orange Revolution. Tariel Vasadze (owner of Ukravto and of the ZAZ car plant) and Konstantin Zhevago (owner of AvtoKraz, of the KrAZ truck plant and of many more companies in banking, metallurgy, construction, energy etc) both joined BYUT shortly before the 2006 elections. The only big name in Ukrainian business to have been a supporter of an Orange formation prior to the Orange Revolution is Petro Poroshenko, whose operations also tend to concentrate in machine-building (Poroshenko owns car-plants in Lutsk, Cherkassk, and Borispil') and food industry.
- 8 See also the website of Ukraine's State Statistics Committee, http://ukrstat.gov.ua/operativ/operativ2008/vvp/vrp/vrp2008_u.htm (retrieved 25.09.2010).
- 9 The figure 45.1% is an average and hides important differences between manufacturing branches. The car-, truck-, and bus-industries, as well as industrial machine-building, have seen much higher falls in output. For an overview see the website of the State Statistics Committee of Ukraine, http://ukrstat.gov.ua/operativ/operativ2006/pr/prm_ric/prm_ric_u/vov2005_u.html (retrieved 25.10.2010).
- 10 In the pre-crisis years of 2005-2007 ASMU lost 5,000-11,000 members a year, according to an internal document: *Dodatok No. 1 do postanovi vikonkomu TsP profspilki ASMU No. B-XV-2 vid 13.04.2009r* (in Ukrainian, in the author's archive).
- 11 interviews with protest participants, Kherson, June-July 2009.
- 12 The outlier on the right-hand side of Figure 2 biases the size of the correlation coefficient. It would fall to $R^2=0,14$ if one would exclude the outlier, but so would the correlation coefficient – down to 0,02 - on the left-hand side change if one would eliminate the outlier from that analysis as well (and down to 0,001 for the R^2 in the case of the 2009 wage arrears predicted from the 2008 data on output). In other words, the difference between correlation coefficients would still be there. The outlier represents a sector that does not contradict the thesis that there is a relationship between output fall and wage arrears increase - the transport equipment sector (part of machine-building). Nevertheless, what differs in this case from the others is that despite a similar fall in output, wage arrears increased much more, indicating a much more complex relationship between the two variables than just a 1-to-1 correspondence between changes in the x- and y-axes.

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