Mass sackings in Russia

AvtoVAZ to lay off 28,000, Aeroflot 2,200

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AvtoVAZ, Russia's largest car maker, announced last week that would axe more than one quarter of its total workforce—throwing 27,600 workers onto the unemployment lines or into early retirement. The week before, Aeroflot, Russia's main international airline, announced that it plans to cut 2,215 staff over the next six months.

The sackings at AvtoVAZ will devastate the city of Togliatti, which was built in the late 1960s around the car factory and which is still the main base of operations for the company. The industrial complex at Togliatti is one of the largest in the world, with more than 90 miles of production lines producing components and assembling vehicles. The city of 700,000 people in the province of Samara is dependent on the massive factory for its economic lifeblood, and the sackings are projected to lead to thousands of other job losses in the area.

Russia's official unemployment rate already stands at 8.1 percent, up from 5.8 percent this time last year. As with unemployment statistics in most countries, this only partially reflects reality in the labour force, as many more Russians have been forced to take part-time jobs or have given up looking for work. Many others still working face shortened hours and cuts in pay or benefits.

A statement from the car company's management issued September 24 read, "Today, 102,000 people work at AvtoVAZ. Such a number cannot guarantee effective and profitable production, therefore we have agreed to reduce the personnel by 27,600 people."

Five thousand office jobs are to go as well as massive cuts in the number of factory workers. AvtoVAZ said 13,000 of the jobs lost would come from workers retiring and not being replaced. Another 5,500 people would be forced to take early retirement. Of the other 9,100 employees who are being sacked, Avtovaz claimed 6,000 might be re-employed in 2012.

Unions at the company issued formal criticisms of the job cuts and called for demonstrations. "We are against the sackings," Pyotr Zolotaryov, leader of the Unity trade union, told Reuters. "Let the managers which are sacking workers leave, not run-of-the-mill employees," he added.

The record of the Russian unions, like their counterparts across the world, ensures that they will do nothing to oppose the layoffs and instead work to prevent the mobilisation of the Togliatti workforce in a defence of jobs and wages. Recent protests by AvtoVAZ workers seeking to increase their pay were left isolated by the unions, even as management planned to destroy thousands of jobs at the plant in a move that could hardly have come as a surprise to union officials.

In 2008, AvtoVAZ made 800,000 units and turned a profit of 1.5 billion rubles (US$49.7 million). The massive contraction of the global market for new car sales—and the especially sharp decline in Russia—hit the company hard, as AvtoVAZ sales dropped by 44 percent in the first eight months of this year. In August, sales of cars and light trucks in Russia were down by 54 percent from the same month in 2008. The government of President Dmitri Medvedev and Prime Minister Vladimir Putin loaned AvtoVAZ US$800 million earlier this year in an effort to cover the company's debts.

Formerly a nationalised industry during the days of the Soviet Union, AvtoVAZ was partially privatised in 1993. It has a joint venture agreement with General Motors (GM), signed in 2001, to produce its Neva model with Chevrolet, and it has a factory producing

GM engines. Last year, the Franco-Japanese car-making partnership Renault-Nissan bought 25 percent of AvtoVAZ shares. The other main shareholder in AvtoVAZ is the Russian state defence-export corporation Rosoboronexport.

Sergei Chemesov, a personal friend of Putin, runs the parent company Rosoboronexport. The government and AvtoVAZ executives hope that a restructuring of Russia's car industry—at the expense of the working class—can help the Russian elite compete with its international rivals. As well as backing the layoffs in Togliatti, the Kremlin is throwing its weight behind plans to expand the reach of Russia's other major domestic automobile manufacturer, GAZ.

Moscow, in collaboration with the German government, is backing a takeover of GM's European operation, Opel, by Russian state-owned financial giant Sberbank and Austrian-Canadian auto parts manufacturer Magna. This would see GAZ plants partially integrated with those of Opel in western Europe in a deal predicted to lead to the elimination of thousands of jobs.

The major downturn in car sales in Russia and internationally is being used by AvtoVAZ—with the full backing of the Russian government and its Western transnational partners—to push through longstanding plans to "rationalise" the company through mass redundancies and plant closures. As across the world, the working class in Russia is to be made to pay for the crisis of capitalism through the destruction of their living standards, while the productive capacity of the economy, built up through decades of labour, is destroyed.

Russia is seen as a key "emerging market" for car makers, having shown substantial growth over the past decade until this year. In 2008, Russia overtook Germany as the largest national car market in Europe. By slashing labour costs and less profitable production lines, AvtoVAZ plans to compete more effectively with other major companies operating in the region. International car makers Ford, GM, Renault and Volkswagen have factories in Russia; Nissan, Peugeot and Mitsubishi have plants due to come online. All of these firms are using the economic crisis to cut costs and attempt to steal a march on their rivals.

The job cuts at Aeroflot, Russia's flag carrier whose roots go back to 1923, are another chapter in a history of decline and large-scale redundancies at the company since the end of the USSR. Once the largest airline in the world, Aeroflot was fractured into 300 companies in 1992, some national airlines of newly independent former Soviet republics, others small outfits run by entrepreneurs. In the 1990s, Aeroflot was embroiled in various money-laundering and spying scandals.

The Aeroflot brand remained as an international carrier, mainly operating out of Moscow, and was partially privatised in 1994. The Russian government retains a 51 percent stake in the company through the Federal Agency for State Property Management—Russian acronym Rosimushchestvo—while the National Reserve Corporation, owned by billionaire Alexander Lebedev, holds 27 percent of Aeroflot shares.

Aeroflot is now headed by Viktor Ivanov, another Putin associate and a former head of the FSB, Russia's spying agency. The company, which had recorded strong growth over several years until 2006, is in partnership with Continental Airlines, Delta Airlines, Air France, KLM and others in the SkyTeam alliance.

The 2,200 job cuts at Aeroflot, announced September 17, represent 14 percent of its current staff. The airline's net profit in 2008 fell by 88 percent to US$37 million, down from US$313 million the year before. Combined with fewer business flights, a large reduction in the company's cargo operations has contributed to this fall in profits, as exports of industrial materials from Russia have suffered in the global recession.

As with AvtoVAZ and GAZ in the car industry, the Putin-Medvedev administration hopes to see Aeroflot develop as a major international competitor in aviation. The recent job cuts provide further expression of the fact that in order to maximise profitability and compete with its global rivals, Russian capital, backed by the Kremlin, is willing to intensify its class war against Russian workers.