Russia: Workers at AvtoVaz protest against mass layoffs

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24 October 2009

On Saturday, October 17, some 1,500 people took part in a meeting against mass layoffs at AvtoVaz, the largest auto factory in Russia, which was built at the end of the 1960s.

The meeting in Togliatti—a city in Samarskii Oblast (province) with 700,000 residents, out of which about 100,000 work at AvtoVaz—was held at the initiative of the independent trade union "Unity".

According to one of the participants in the protests, many workers at the enterprise now receive about 5,000-6,000 rubles ($170-$205) a month, while a half-year ago they were making 15,000-16,000 rubles ($515-$550) a month. Since September, the factory has switched to a 20-hour work week.

The resolution passed at the meeting demanded the reinstitution of a 40-hour work week beginning November 1, a written guarantee issued by the president and the government that there will not be any mass layoffs, and the establishment of a minimum wage of 25,000 rubles ($860) a month. This is the sum that owners who took control of the factory a few years ago promised to pay workers.

AvtoVaz is owned by state corporation Rostekhnologii, at the head of which stands Sergei Chemezov, a personal friend of Prime Minister Vladimir Putin. Vladimir Artiakov, named president of AvtoVaz Group by Rosteknologii, has since become Governor of Samara Oblast.

Participants in the meeting demanded that the government observe the principle that the wages of management not exceed those of workers by more than five times.

This issue is particularly important given the disproprionately large salaries received by enterprise's managerial personnel irrespective of productive output. As a result of the economic crisis and an extemely extravagant and rapacious management, AvtoVaz ended up in a very difficult situation.

In 2008, managers received more than the entire total wage fund for all remaining employees. This is characteristic for the majority of large private and state-owned companies in Russia.

Despite the limited demands of the meeting's organizers and their appeals to the government, the protest reflects growing discontent within the Russian working class and an effort on the part of workers to find forms of struggle through which they can defend their rights and interests.

In July of this year, the bold actions of the people of Pikalevo, a small city with 20,000 residents located 200 kilometers to the east of Saint Petersburg, resonated widely with the broader population. In protest against an unbearable socio-economic situation, a few hundred people blocked the Novaia Ladoga-Vologda federal highway. They demanded the restitution of unpaid wages and the resumption of work at enterprises that had ceased operating in the company town.

The situation in Pikalevo remained tense for many months. Putin had to go there in order to resolve the crisis. Under pressure from him, the owners of three technology firms with ties to each other, one of which belongs to the aluminium holding company of oligarch Oleg Deripaska, agreed to restart delivery of raw materials and resume production.

The example set by the residents of Pikalevo was quickly picked up by many other workers' collectives and social groups in the country. Over the course of the summer and through the start of the fall, a wave of protests unfolded across Russia in which workers, pensioners, and even soldiers threatened to block highways or to engage in other forms of protest if their demands were ignored.

The government's fear over the consequences of such protests led President Dmitry Medvedev to issue a special statement in which governors were warned that they would be held personally responsible for the development of new hotbeds of social unrest.

Pikalevo, like Togliatii is a classical example of a Russian “mono-town”—urban centres in which the local economy and the populace are entirely dependent on a single industry for their livelihood. There are more than 400 such places in the country, with their population’s making up one-quarter of Russia’s urban population. Until the economic crisis, mono-towns accounted for 40 percent of Russia’s GDP.

AvtoVaz on the edge of bankruptcy

The auto giant in Togliatti is in a sorry state of affairs. In 2008 it produced 900,000 automobiles. However, due to a collapse in sales this year, the expected output is only 360,000.

By the end of 2009, the company will have accumulated losses of 30.7 billion roubles (more than $1 billion) and will have a debt of 75.2 billion roubles (upwards of $2.5 billion).

This summer the factory received a 25 billion rouble ($860 million) bailout package from the government. However, it was spent without yielding any visible improvement. It was after this that the announcement of mass layoffs—on the order of 27,600 people—was made.

Afraid of the political consequences, at the beginning of October Vice Premier Igor Shuvalov, speaking on behalf of the government, announced that large-scale staff reductions would not be allowed. Thus far, around 5,000 people have been laid off.

The leadership of the factory continues to insist on the inevitability of further layoffs. AvtoVaz President Igor Komarov stated that the “temporary surplus of personnel” at the factory is 21,733 people. They pledge to return to a normal work load in 2012, after an expected growth in the volume of production. However, this is just an empty promise.

On October 19, the leadership of the factory announced that the enterprise is on the edge of bankruptcy and advanced a series of their own bailout measures.

Their plan is to issue 50 billion roubles worth of bonds to state banks. The money from the sale of these bonds would then be used to refinance existing debt. This move has not been supported by the factory’s major creditors, which include the banks VTB and Sberbank. The head of the latter, German Gref, already announced that he “doesn't consider the conversion” of the debt to be viable.

Putin, who is involved in resolving the problems at the factory, has attempted to put pressure on Renault-Nissan, which controls 25 percent of AvtoVaz’s stock. At the beginning of October, Putin announced that Renault-Nissan had to take part in financing the auto factory. Otherwise—in a poorly hidden threat—its stake in the company could be diluted through a reproportioning of shares. In response, Renault made it clear that it does not want to go this path and demonstrated its dissatisfaction with how affairs with its Russian investments are developing.

Russian enterprises are carrying out mass layoffs. Since January 2009, redundancies have risen to 150,000-200,000 people a month. The yearly total has already reached one million. The cutting of jobs has affected all areas, from the extractive industries to trade, construction, and finance.

A survey of managers of 2,613 companies carried out at the beginning of October by the Internet portal Rabota@mail.ru found that over the course of the past year, 83 percent of companies have reduced salaries, while only around 1 percent have increased them.

The situation at AvtoVaz, up to its ears in debt and planning to cut one-fifth of its workers, is typical for the Russian economy, which suffers from an excess of out-of-date technology and the domination of private owners interested not so much in the development of production as in the rapacious extraction of profit at any price, even at the cost of a catastrophic degradation of a company’s technological base.

The fate of the auto giant in the Volga, which was once the pride of Soviet industry, symbolises the dead-end at which Russia and the other former republics of the Soviet Union have arrived as a result of two decades of capitalist reforms.