

Rising unemployment fuels social tensions in Russia

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Official unemployment climbed a full percentage point in Russia during the month of January and now stands at 9.2 percent. Despite government claims that the recession is over, the state statistics agency Rosstat reported that a further 630,000 people lost their jobs last month. Economists, using the methods employed by the International Labour Organisation, say the total number of jobless is close to 6.8 million.

This is the fourth month in a row that unemployment has grown in Russia, even as the country's economy officially returned to growth in the final quarter of 2009 and industrial production rose. More than 70,000 employers have cut jobs since the start of the year, reports the Ministry of Health and Social Development.

The emergence of mass unemployment in Russia is reflected in a ratio of jobless people to vacancies of 24:1. At the same time last year, this ratio stood at 16:1.

According to the Federation of Independent Trade Unions (FITU), the official figures underestimate by 810,000 the actual increase in unemployment from September 2008, when the economic crisis first hit Russia, to January 2010.

Additionally, the official unemployment rate fails to take into account large numbers of underemployed people who are forced to work part-time. According to a February 18 article in the online newspaper *Gazeta.ru*, the secretary of the FITU, Aleksandr Shershukov, maintains that "there are additional 1.2 million people working a shortened work week or work day."

Wage arrears have also grown dramatically in Russia since the start of the year. Rosstat reported that as of February 1, employers owed workers 4.12 billion rubles (\$136.2 million), an increase of 15 percent over the previous month.

The jobs crisis in Russia is expected to grow rapidly in the coming period as regional governments, pressured by the Kremlin in 2009 to artificially prop up employment by keeping industrial workers on the payroll, lose the ability to continue supporting the labour market. As federal resources allocated last year to help regional governments dry up, local politicians and businesses will be less willing to continue paying workers idled by the stagnation of manufacturing.

Conditions will likely be worst in smaller population centers and villages, in particular the so-called "mono-

towns"—company towns in which residents are almost entirely dependent on a single firm or industry for employment.

Nikolai Volgin, the president of the National Assembly of Labour and Social Policy Specialists, recently told the online magazine *Lichnie Dengi* that he anticipates seeing widespread layoffs over the course of the year, with as many as 1.5 million more people losing their jobs.

"Computations based on the methodology of the International Labour Organisation show that Russia today has approximately 8 million jobless," Volgin said. "I believe that by the summer massive dismissals may begin. The risk of this is very high, as the industrial slump is considerable. I do not rule out that there may be 9 to 9.5 million jobless in the country."

If Volgin's predictions are correct, Russia will see an unemployment rate of 12 to 12.7 percent by the middle of the year.

In the face of the jobless figures, President Dmitri Medvedev blithely observed, "Even though the economic crisis is abating, it happens in a crisis that unemployment may grow even with the economic upsurge."

The Kremlin's insistence that Russia is on the road to recovery has failed to convince masses of people. According to a recent study carried out by the survey institute VTsIOM, only 29 percent of Russians believe that the country is out of the economic crisis. Rising prices, falling incomes, wage arrears and an inability to buy basic necessities were all identified as essential and ongoing features of daily life.

At the same time that news broke about the sharp rise in unemployment in January, *Finans* magazine published its list of Russia's richest individuals. While the country's gross domestic product declined by 7.9 percent last year, the number of billionaires increased by over 50 percent, from 49 to 77. According to the *Moscow Times*, "the combined wealth of the top ten wealthiest jumped 84 percent year on year to \$139.3 billion."

Vladimir Lisin, head of Novolipetsk Steel, tops the list with a net worth of \$18.8 billion. Many of those named by *Finans* oversee industries that were the greatest beneficiaries of the Kremlin's economic bailout last year. Sergei Popov, the main owner of MDM bank, climbed 29 places from his position in 2008 and now controls \$5.2 billion. The banking industry

reportedly received 48 percent of the total money (officially \$39.7 billion, but estimated to be as much as \$180 billion) spent by the government on “anti-crisis” measures.

The jobs crisis and the overall economic situation are fueling social discontent. In late January in Kaliningrad, a Russian enclave on the Baltic Sea located between Lithuania and Poland, residents staged a demonstration to protest falling living standards. With an official unemployment rate that has grown to 10.5 percent, the population has become outraged at recent tax hikes and increases in rates on household utilities. In one of the largest anti-government gatherings in recent years, 10,000 protestors demanded the resignation of the local governor, appointed by the Kremlin, and Prime Minister Vladimir Putin.

As the February 4 issue of the *Eurasia Daily Monitor* explained, Putin made “high unemployment in Kaliningrad” worse by “imposing restrictive protectionist anti-crisis tariffs on the import of used cars into Russia from Western Europe.” The article continued: “Putin’s tariffs were intended to help the bankrupt producer of LADAs, AvtoVaz, but they drove into poverty many in Kaliningrad who profited from the car trade. Putin’s anti-crisis measures are helping super-rich oligarchs and this is also proving to be unpopular.”

Press accounts state that the Kremlin was taken off guard by the size of the rally in Kaliningrad, which, according to the British *Guardian*, was larger than those that occurred at the time of the 1991 August putsch. President Medvedev responded by sending a special representative to the region to investigate the situation, which is expected to result in the removal from office of Governor Grigorii Boos.

On the day following the Kaliningrad protest, smaller anti-government demonstrations were held in Moscow, St. Petersburg, Ekaterinburg, Krasnoyarsk and Vladivostok. According to press reports, in the country’s capital police arrested 100 of the 300 people who turned out.

More recently, residents of Irkutsk in Siberia and Samara in the Urals—the latter a major center of auto production—rallied against the government. In Irkutsk, 2,000 people turned out on February 13 to denounce a recent decision by Prime Minister Putin to allow the reopening of the Baikalsk Pulp and Paper Mill, which had been closed in 2008 because it was dumping waste into Lake Baikal, the deepest body of fresh water in the world. The facility is owned by Oleg Deripaska, one of Russia’s most powerful oligarchs and a close Putin ally.

In Samara on the same day, 350 people protested against the lack of jobs in the city, crumbling public infrastructure, and rising housing costs.

In both places, protesters held signs demanding the resignation of Putin and the respective local governors. Demonstrators also denounced the ruling party, United Russia.

Last year, the Ministry of the Interior reported that 30,000 demonstrations took place across the country, involving 5.5 million people.

Despite the maintenance of tight governmental control over the media and the fawning treatment given Putin on television and in the press, according to VTsIOM his approval rating, which was as high as 81 percent in mid-2007, has fallen to 54 percent. President Medvedev’s is even lower, at 42 percent.

Because of the domination of the political system by United Russia, the ruling party is still widely expected to win regional legislative elections scheduled to take place on March 14. However, as Aleksei Malashenko of the Political Techniques Center is quoted as saying in a February 15 article in *Vremia novostei*, “Just do not misinterpret [this] as the Russians’ alleged love of the powers-that-be.”

On February 17, Nikolai Patrushev, secretary of the Russian Security Council, issued a statement about the economic situation and its implications that, in addition to being striking for its lack of forthrightness, revealed the Kremlin’s nervousness at openly acknowledging the conditions that face masses of working people and the depth of discontent building in the country.

“Measures taken by the Russian government made it possible for the Russian economy to overcome the acute phase of the crisis,” said Patrushev. “In particular, the government managed to prevent an increase in social tension [and] to improve the situation on the labour market.”

He continued, “Unemployment levels are under control,” but admitted, “The lack of effective moves in solving the problem of creating new jobs in constituent parts of the Russian federation is causing particular concern. Dangerous dependence of our country on the situation in the world market continues.”

As millions more Russian workers are thrown out of work in 2010 and many more confront a combination of declining wages and rising prices, social tensions will increasingly assume the form of open conflict with the government and the entire socioeconomic order erected on the basis of the breakdown of the Soviet Union.



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