

Global Issues

Russian Labour, Economic Hardship and Putin's Fear of Colour Revolutions

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Russia's political leaders, like those in any capitalist society, face a contradiction in maintaining both accumulation and legitimation – that is, accumulating wealth and capital on the one hand while preserving political legitimacy on the other. For Russia in particular the accumulation of wealth and resulting inequality has been stunning, including the rise of numerous Kremlin-connected oligarchs. In the Putin era, legitimacy was maintained initially by significant levels of economic growth during the “oil boom” from 2000 to 2008, allowing the government to claim it had provided “stability” in contrast to the tumultuous leap to the free market in the 1990s. Since then the Russian government has increasingly relied on repression and propaganda, both of which have now reached new heights with Russia's invasion of Ukraine.

Yet real disposable incomes in Russia were 10 per cent lower in 2021 than in 2013. Given such economic adversity – now certain to be worsened by economic sanctions – the difficulty of maintaining the legitimacy of Russia's oligarch capitalism has become even more challenging. While the Putin regime likes to style itself as a defender of the working class and “real Russians” in the country's industrial heartland, experience shows that the level of tolerance of such groups has its breaking point.

At the time of writing (mid-May 2022), the exact cumulative impact of Western sanctions on Russian society is yet to be seen. However, Russia's economy has already plunged into a deep recession, with projections of economic contraction of over 11 per cent in 2022. Yet even before the invasion there were few pathways out of Russia's economic malaise that did not raise the prospect of potentially destabilising social protest. Might the Russian government undertake reforms to revive the economy? Might it forgo fundamental economic restructuring, but with the result that social hardship lingers and deepens? This challenge forms what I have termed Russia's “labour dilemma”, as either approach raises the potential for social, and ultimately political, protest.

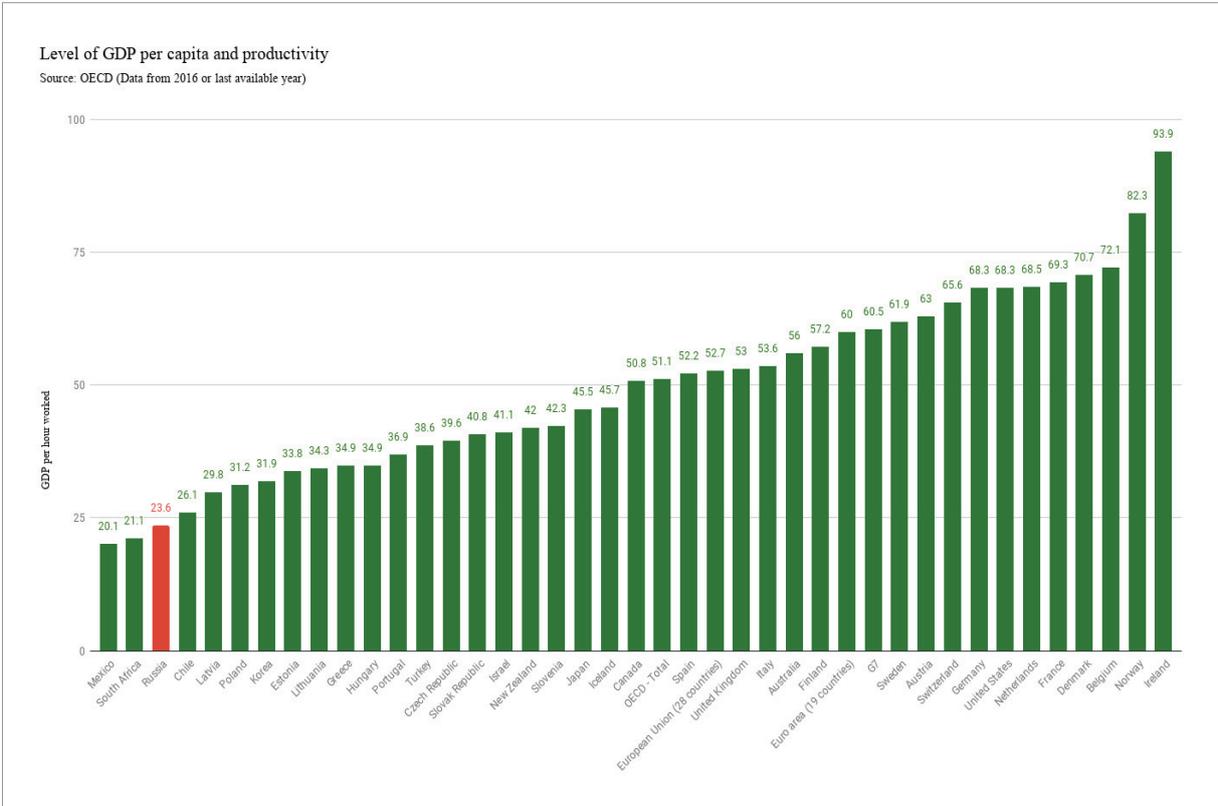
(Pre-)existing Economic Challenges

Russia's economy was already suffering from prolonged stagnation before the current sanctions. The reasons are multiple, but the legacy of the Soviet past remains a major challenge. Despite the dramatic economic decline of the 1990s, Russia averted mass unemployment, but only through huge drops in wage levels (including, for a time, their non-payment, leading to a crisis of “wage arrears”). Though Russia avoided a feared “social explosion” during this period, it also evaded substantial restructuring of the Soviet industrial infrastructure. While wages rose again from their nadir with economic growth in the 2000s, Russia remains a high-employment, low-wage economy (Gimpelson, Kapeliushnikov and Roshchin, 2017).

Low wages, however brutal for workers, can become a country's global comparative advantage,

provided that the economy is centred on the export of labour-intensive products. However, this is simply not the case in Russia where, outside of certain firms in the metals sector and military industry, Russian manufacturing exports are non-competitive. With wages low, there is less incentive to invest in education and technology. The failure to invest sufficiently in education has contributed to a decline in Russia’s human capital, a problem that has become “colossal” according to a number of leading economists and business experts (and this before the current exodus of educated Russians) (Volkov and Kolesnikov, 2021). Likewise, with lagging investment in technology: Why should a firm spend money on expensive machinery when it can add more workers cheaply and pay them even less when times are tough?

Simply put, paying workers cheaply and failing to invest in education and technology reduces productivity. Unless oil and gas prices remain high indefinitely, future economic growth in Russia will almost certainly depend on increasing labour productivity. Given Russia’s demographic challenge, namely the decline in its working-age population, raising the productivity of the existing workforce would appear to be all the more compelling. Yet Russian labour productivity is very low by comparative standards. According to the Organisation for Economic Co-operation and Development (OECD, 2022), for every hour worked a Russian worker contributes the equivalent of US\$23 to Gross Domestic Product (GDP), while the comparative figure for both the United States and Germany is US\$68. Indeed, Russian labour productivity is lower than that of Chile and Turkey. Of thirty-six OECD comparator countries, Russia outranks only Mexico and South Africa (see Figure 1).

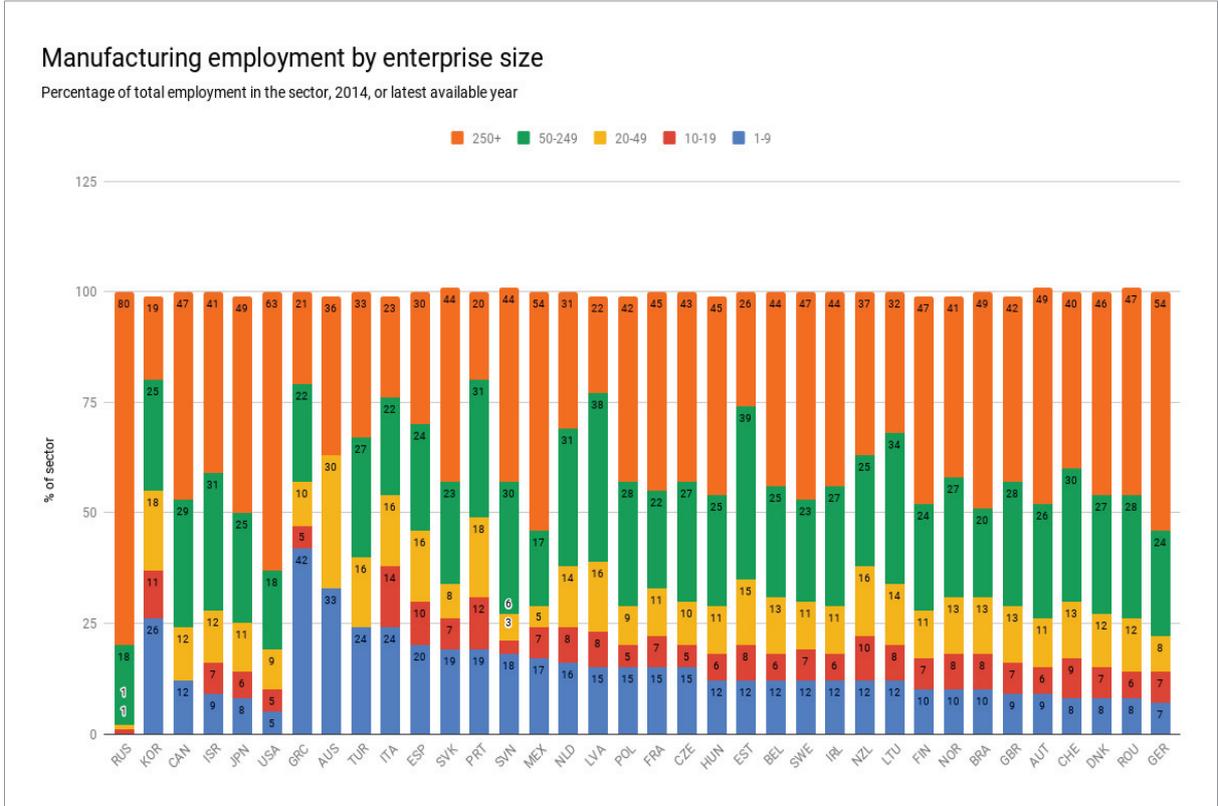


Source: OECD (2022)

Figure 1. Russian labour productivity

Low wages create other social and economic problems as well. They push workers to seek employment in the informal economy, in jobs that are even more precarious, are typically even less productive, and with pay that does not contribute to revenue or social welfare funds. Russians have dealt with persistently low wages by taking on greater consumer debt. The low level of consumer demand in Russia remains a major hindrance to economic growth (Inozemtsev, 2022).

Besides low wages, Russia’s productivity is impeded by the many large factories inherited from the Soviet era. As of 2014, 80 per cent of Russian workers employed in manufacturing were working in large enterprises (those employing 250 or more workers), by far the highest proportion of the thirty-six countries surveyed by the OECD (2017). In almost all of those other countries, the majority of manufacturing workers were employed in small and medium-sized firms, which tend to be much more productive (see Figure 2).



Source: OECD (2017)

Figure 2. Russians employed in manufacturing

While those large factories remained afloat during the 1990s when times were bad, they also avoided major transformation during the oil boom of the 2000s. Workers remained employed but, given low productivity levels, the overall result was that Russia became stuck in a “middle-income trap”.

All of this was true before the potential impact of new and substantial economic sanctions on Russia’s economy. Further, with the prospect that global initiatives to stem climate change might begin to lower the demand for oil and gas as early as the next decade, the imperative for economic reform would appear to be all the greater (Gustafson, 2021). The absence of reform creates its own challenges since, to many Russians, stability has begun to look like stagnation, with a significant

impact on living standards. Needless to say, all of this has social – and ultimately political – implications.

Social and Economic Protest

How might Russia escape the “middle-income trap”? The pathologies generally associated with that trap are well known to Russia: low productivity, low-skilled and low-paid work, inequality and informality. Economists argue that there is a pathway out of that trap: the key is to boost productivity growth through investment, especially in higher and technical education and research and development.

Yet, as Doner and Schneider (2016) argue, the central challenge is “more politics than economics” since the shifting of resources inevitably entails creating winners and losers out of different social groups. Escaping the trap, they argue, requires a “growth coalition” compromising “especially business and labor, which are the core potential constituencies for a coalition that could take the big leap” (Doner and Schneider, 2016: 4) (Doner and Schneider, 2016). While Doner and Schneider are assuming that labour can act as an organised political force, which is simply not the case in Russia, the possibility of destabilising protest can also prevent such a big leap.

Liberal economists argue for a different path. For instance, Kudrin and Gurchik (2015: 20–21) contend that boosting economic growth in Russia will require “facilitating the movement of factors of production from less efficient to more efficient industries, i.e., to intensify what Schumpeter calls the process of ‘creative destruction’”. However creative such a process might be in the long term, the destruction of existing workplaces could well lead to widespread unemployment. That would be a substantial break from Russian practice, going back to the Soviet period. Unemployment benefits in Russia remain extremely low, and labour market institutions weak, so that a sizeable increase in unemployment would almost inevitably raise the likelihood of protest.

Indeed, most worrying for the Kremlin, there are few paths out of Russia’s economic malaise that will not threaten to spark social protest, with the potential for political instability. The Russian experience of the last two decades suggests that it is not a hardship by itself that ignites economic protest but rather concrete government actions that push the population beyond their level of tolerance. Thus, sanctions by themselves are unlikely to lead to protest, as experience elsewhere demonstrates how the hardship they create can be blamed on outsiders (Mulder, 2022). But steps to revive the economy that negatively impact segments of the population can and often are blamed on political leaders.

In explaining how social and economic protests have spread in Russia in recent years, one can draw on Charles Tilly’s (1978) concepts of “netness” and “catness” to explain successful protest mobilisation. Netness refers to the ability of protests to spread through networks, such as labour unions, opposition groups or other forms of civil society. In Russia, the Federation of Independent Trade Unions of Russia (FNPR), the country’s largest union federation, remains a “legacy union” – a holdover from the communist era and one allied with the Kremlin and United Russia, the Kremlin-backed party that dominates Russia’s parliament (Caraway, Cook and Crowley, 2015). Alternative unions, while combative, are small and have been increasingly marginalised through harsh measures, such as being labelled “foreign agents”. Strikes are severely restricted by law, and when they do occur are often “wildcat”, taking place without union backing.

Catness refers to individuals belonging to a single category. When the government undertakes an action that adversely impacts all members of that category, otherwise isolated individuals can

suddenly find themselves united in a common cause. When that happens, protests can erupt spontaneously, with little reliance on Russia's demoralised opposition and beleaguered civil society. Such protests extend beyond a single workplace, and tend to be broader than typical labour protests.

For example, the government's attempt in 2005 to replace free public transportation for pensioners with cash benefits led protesters to rise up, with little coordination, in numerous cities across Russia, forcing the government to back down. Raising the pension age in 2018 led to similar protests, even though the direct impact on the population would be delayed for years. During the global economic crisis of 2009, the government imposed a tax on imported vehicles in order to preserve jobs in the domestic auto industry. But that quickly led to protests in Russia's Far East, where used Japanese cars were popular (riot police flown in from Moscow finally subdued the protesters denouncing Putin). A tax on long-haul trucks in 2015 led to a spontaneous protest of truck drivers from Dagestan to Chita. The truckers – seen as part of Putin's core supporters – initially pleaded, "President, help us!" Yet in little over a year they called for a general strike, demanded the government resign, and put forth their leader as a candidate for president against Putin (he was harshly repressed).

While protests with overt political demands have been dealt with severely in Russia, even before the invasion of Ukraine, protests based on social and economic grievances have been treated more leniently. However, the examples above demonstrate how social and economic protests can become quickly politicised. Moreover, protests by such groups as pensioners and truck drivers are extremely problematic because they point to dissatisfaction within Putin's presumed base of support.

Colour Revolutions

As the political scientist Ilya Matveev (2022) notes, Russia is highly integrated into the global economy, with its share of imports relative to GDP the highest of the BRIC group (that is, India, Russia, China and Brazil).¹ This raises a puzzling question: why did the Putin regime suddenly shift in 2014 to an emphasis on geopolitical concerns at the expense of Russia's economy? One answer is clearly Russia's concern about NATO expansion into Ukraine, which the seizure of Crimea and the fomenting of armed unrest in the Donbas appeared to prevent. Yet those actions prompted Western sanctions, which have adversely impacted Russia's economy. Russia's recent invasion of Ukraine goes much further down this path and, with its sole focus on geopolitics, appears to defy economic logic.

Yet another explanation for this emphasis is that Putin has long been consumed by the prospect of "colour revolutions" – popular revolts in the post-Soviet space that he claims are incited by the United States – such as the 2014 Maidan revolution that chased Russian-backed President Yanukovich out of Ukraine. Putin and President Xi Jinping of China denounced colour revolutions in their recent joint statement just before Russia's invasion of Ukraine (TASS, 2022).

Putin survived the 2011–2012 "Russia without Putin" protests – arguably the closest Russia has come to its own colour revolution – in part by claiming that he maintained strong support from the "real Russians" in the country's industrial and rural heartland against the liberal cosmopolitan protesters in Russia and St. Petersburg. While those protests were underway, Igor Kholmanskikh, a factory foreman at the Uralvagonzavod in Nizhniy Tagil, addressed Putin during one of the president's annual televised "call-in" shows. Standing on the factory floor surrounded by fellow workers and referring to the protests, Kholmanskikh told Putin that "if the militia . . . can't handle

¹ BRIC was the original group; South Africa joined in 2010 to make it BRICS (Wayback Machine, 2011).

it, then me and the guys [*muzhiki*] are ready to come out and defend stability”. Putin’s administration played up this event considerably, with Putin later appointing Kholmanskikh, despite his lack of relevant credentials, as the presidential representative for the Urals Federal Region, a human symbol of Putin’s working-class support (Bratersky, 2012).

However, such claims of working-class support became less convincing in subsequent years in conditions of declining wages and standards of living. For instance, by 2015 – just four years after his remarks – Kholmanskikh’s Uralvagonzavod was on the verge of bankruptcy (Novaya Gazeta, 2016). The following year workers at the factory faced pay cuts, and 3 000 were furloughed. More ominously, by 2019 there were social media reports of several suicides of plant workers (Volin, 2019).

Economic conditions will undoubtedly worsen with sanctions and Russia’s greater isolation from the global economy. With that the prospect for social protest will certainly rise. Yet any fundamental transformation of Russia’s political system would require overcoming the deep social divide that Putin sought to exploit during the protests in 2011–2012: that between Russia’s educated professionals and its still-sizeable working-class population. As an illustration, when the truckers first began protesting against the imposition of the road tax, some in Russia’s liberal opposition were hopeful of the protest spreading. Yet the journalist and commentator Arkady Babchenko (2018) responded by claiming, on the blog of opposition leader (and former chess champion) Garry Kasparov, that Russian liberals “do not comprehend their own people”. He then added bitterly, “When will you finally understand, my dear caring idealistic liberal friends”, that there will be no revolution, because “the people” care only about small localized problems like trucker taxes and garbage dumps, and otherwise support Putin wholeheartedly, which he compared to popular support for Hitler in Nazi Germany. While Babchenko’s comments might appear extreme, other prominent liberal commentators repeatedly refer to average Russians as passive and unthinking “cattle”, as if working-class Russians themselves are responsible for keeping Putin in power (as discussed in Morris, 2021). For their part, protesting workers such as the rapidly radicalised truckers often view the political opposition with scepticism, and see their leaders as paternalistic and self-serving.

Yet, colour revolutions in neighbouring states have most often occurred when economic grievances combine with unpopular government actions, allowing disparate groups to unite. For example, next door in Belarus, citizens took to the streets in large numbers in 2017 to protest a new tax on “parasitism” – essentially a tax on underground employment – with demands for President Aleksandr Lukashenko to resign. The tax was scrapped, but the demonstrations presaged the country’s even larger uprising in 2020. While the protests then centred around Lukashenko’s fraudulent re-election, with the country’s economy suffering due to reduced subsidies from Russia, workers – presumed by Lukashenko himself to be his base of support – joined the protests from numerous factories and workplaces throughout the country. Lukashenko himself went to a factory to appeal to the workers, complaining that their protests were to him like a “stab in the back” (*udar v spinu*). They responded with boos and catcalls (Kolesnikov, 2020). Moreover, in a tangible message that workers were seeking to break through working-class stereotypes, some marched with a large banner that read: “We are not sheep, not cattle, not ‘little people’. We are the workers of the Minsk Tractor Factory, and we are not 20 people, we are 16,000” (Aris, 2020). There and elsewhere, workers marching in uniform out of factory gates were cheered by fellow protesters.

Even more recently, the mass uprising in Kazakhstan in January 2022 was set off by an increase in gas prices. It began in Zhanaozen, a city synonymous in the country for labour strife, where the government had shot and killed over a dozen striking workers in 2011 (People and Nature, 2021; Kurmanov, 2022). The protests soon spread throughout the country.

The leaders of Belarus and Kazakhstan remained in power, but arguably only through Russian backing (and, in the Kazakh case, direct Russian intervention). The probability that such a mass uprising would take place in Russia in the near future is arguably quite low. Yet the potential consequences for Putin and his leadership team could be severe. Following the Maidan revolution, Ukraine's Yanukovich fled to Russia with whatever he could carry in his suitcase, and the stolen spoils he left behind became a "museum of corruption" (Olsen, 2014). Should a similar uprising occur in Russia, who will prop up Putin? Where could he flee?

Conclusion

To be clear, there is little prospect of a mass uprising in Russia any time soon. Sanctions and resulting hardship will be blamed on the West, as Russia's state media portrays the country as a besieged fortress. Oil and gas revenues could remain high for an extended period. But, with time – a time that could be measured in years rather than months – the Russian government may feel compelled to undertake painful reforms to improve otherwise intolerable economic conditions. Doing so would prove precarious, since such reforms could lead to social instability and a direct challenge to the government's legitimacy.

Putin has good reasons to fear a Russian colour revolution. For that to happen, the country's liberal professionals in major cities would need to unite with the working class in Russia's industrial heartland. That prospect could become reality should large segments of the population come to believe that Putin himself is the cause of their hardship.

Given the horrors of Russia's invasion of Ukraine, many might welcome such an outcome. Still, the experience of other post-Soviet states shows the limits of attempting fundamental change through colour revolutions. Those uprisings have successfully removed corrupt leaders from office. But by focusing solely on the pinnacle of political power, they have left the oligarchic structures in place. Such vast inequalities in economic power have allowed the cycles of exploitation and corruption – and accumulation alongside struggles for legitimation – to begin again.

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BIOGRAPHICAL NOTE

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