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Prokhorov's Exploitative Emancipation

By Boris Kagarlitsky

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Billionaire Mikhail Prokhorov, a senior official and de facto ideologue of the Russian Union of Industrialists and Entrepreneurs, or RSPP, is full of new initiatives. Ever since he joined the rather lackluster and cumbersome organization in an official capacity, it has gained unexpected momentum and become the driving force behind the latest wave of economic reforms. If those reforms become a reality, workers throughout Russia will long remember — and curse — his name.

Prokhorov is focusing on Russia's labor laws, which, in his opinion, provide too many safeguards for employees. He believes the current Labor Code is an outdated socialist holdover from the Soviet era.

But the old Soviet labor laws were revised as far back as 1992 and were replaced with the current and completely new Labor Code in 2001. The new code incorporates fundamental rights and guarantees for workers similar to those adopted in Europe, including protection against wrongful dismissal, the right to collective bargaining and a 40-hour work week with the right to mandatory overtime pay — usually 1.5 times normal pay — for work above that.

Although these are very basic components defining labor conditions in most developed countries, they have upset Russia's business leaders.

If the RSPP initiative is accepted into law, employers would not have to pay a higher overtime rate for hours worked above 40 hours per week. If this weren't enough, employers would be able to fire workers at any time without explanation. Russia's unions call Prokhorov's ideas "cannibalistic."

Given the chance, management will waste no time in capitalizing on Labor Code revisions to propose further limits to the country's already weakened labor unions. Although Prokhorov has ostensibly called for a break with Soviet traditions, he has made no mention of giving workers back the right to strike, which is now prohibited for all intents and purposes.

In the spirit of Newspeak, Prokhorov claims that his proposals will "emancipate the worker." Likewise, the RSPP said the elimination of workers' rights and social guarantees would move Russia along the path of modernization and help create an innovation-based economy.

It would be a mistake, however, to assume that Prokhorov's project is simply a reaction by a narrow segment of the business community to the difficulties caused by the economic crisis. It goes much deeper than that.

The most serious problem is that management believes that exploiting workers is the only way to raise company profits. But ever since the 19th century, it has been proved that cheap labor decreases the incentive for introducing more advanced technologies. Why purchase a bulldozer if dozens of laborers working for pennies can do the same job? Why improve worker productivity by investing in expensive equipment and streamlining production if you can force the existing work force to work harder and longer hours? Instead of making firms more competitive by incurring the cost of modernized production, owners hope to save money by reducing benefits, curbing rights and cutting salaries.

Russia's big business — conservative, authoritarian and backward in its thinking — is itself to blame for the county's stagnating industrial base. The only way to force the business community to invest in new technologies is to introduce labor laws that are the exact opposite of those proposed by the RSPP.

Paradoxically, Prokhorov, by pushing the limits of how much management can exploit workers, could end up rallying workers and labor unions to protest against management abuse and help move Russia toward more humane and fair labor laws and social policy.

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