

Kazakh Mining Giants Seek to Placate Labor Dissent

By [Robin Paxton](#)

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People walking at dusk along Lake Balkhash. A copper smelter owned by Kazakhmys looms in the background. **Robin Paxton**

KARAGANDA, Kazakhstan — At 65, Pavel Shumkin says he has lived a decade longer than the average coal miner in Kazakhstan. He recalls a time when he drank beer with his bosses after ascending, face blackened, from the coal face.

"Now, these bosses have billions and I have my pension of \$150 a month," he said. "They breathe a different air."

Shumkin, an independent activist in the city of Karaganda, fights the corner of those who earn a modest living mining the resources that have made Kazakhstan's \$185 billion economy the largest in Central Asia.

Their demands have become impossible to ignore for the companies responsible for the

country's colossal Soviet-era plants and the towns that grew up around them. One thing must be avoided at all costs: another Zhanaozen.

At least 14 were killed during the riots that followed a seven-month labor dispute in the oil town in December, violence that shattered the image of stability cultivated by President Nursultan Nazarbayev, himself a former steel worker.

With authorities at pains to ensure no repeat, employers have acquiesced to the wage demands of opportunistic workers who have staged a number of quick fire strikes since.

"It's a good thing this boil has been burst," said Shumkin. "If nothing changes, how can they answer the question: why won't another Zhanaozen bubble up?"

Eight of Kazakhstan's 27 designated "monogorods," or single-industry towns, can be found in Karaganda province, a vast steppe region about the same size as Iraq. Most of Kazakhstan's coal, copper and steel is produced here, in the nation's center.

Temirtau — Iron Mountain in Kazakh — is dominated by the smokestacks of the steel mill that employs a 10th of its 170,000 population. Nazarbayev spent a decade working in its blast furnaces. The eldest of his three daughters was born here.

Trams filled with steel workers rattle along the main avenue to the plant, past the bright orange logo of its owner, ArcelorMittal, the world's largest steelmaker.

Though monthly wages averaged about \$775 last year, a third above the national average, living costs have also risen. In May, steel workers held a rally to demand a 30 percent hike in base salaries on top of an inflation adjustment of 7.4 percent.

"Life gets more expensive every day," Viktor Kovyazin, 38, said at the end of his day's shift in the plant's coking shop. "The average person just doesn't earn enough."

The same message can be heard in the unkempt mining towns that surround Karaganda. A group of coal miners queuing for their bus under gathering storm clouds in Shakhtinsk were too afraid of losing their jobs to be identified.

"Our wages are too small for the three or four mouths that we have to feed," one miner grumbled through gold teeth.

ArcelorMittal Temirtau paid its coal division employees an average monthly salary of \$915 last year, an increase of slightly more than 12 percent on the previous year.

Shrinking Markets

This year, the company has offered both its steel and coal workers a 10 percent increase in base salary. It's a compromise that was accepted on June 19 by the coal miners' trade union, on the understanding that talks will resume when markets improve.

Kazakh mining giants, including Glencore-controlled Kazzinc and London-traded Kazakhmys and ENRC, have reaped bumper profits on record-high commodity prices. They count some of the country's richest men among their shareholders.

But the specter of labor dissent has been compounded by a recent downturn in the market. Copper prices, for example, have fallen by nearly a fifth in the last year as concerns mount over Europe's debt crisis and slowing economic growth in China.

ArcelorMittal's Temirtau plant faced an even more sudden shock to demand when Western financial sanctions on Iran closed the door overnight on a market that accounted for a considerable portion of the mill's sales last year.

Vijay Mahadevan, chief executive of ArcelorMittal Temirtau, said the government had advised the company to resolve its labor issues peacefully. Talks with the steel workers' union are continuing.

"The way they are advising the company, they are also advising the unions to have continuous dialogue and come to a resolution based on negotiations rather than demonstrations," he said. "Starting a strike is easy. Ending it may not be."

Kazakhmys, the world's 11th-largest copper miner, knows this too well. In May, around 80 miners refused to leave the Annensky mine when their shift ended. More than 200 joined the underground sit-in, emerging three days later with the promise of a pay raise.

A source close to Kazakhmys, who requested anonymity, said local activists had played on events in Zhanaozen to agitate for a strike at the Annensky mine, even though the company had begun a comprehensive overhaul of its wage structure months earlier.

Workers at its 1930s-built copper smelter in Balkhash had their salaries raised by at least 35 percent this year, with one proviso: They had to pass an exam to test whether their knowledge matched their pay grade. Fewer than 3 percent failed.

If Kazakhmys began its salary review program pre-Zhanaozen, the government, on Nazarbayev's orders, has devoted more attention to labor since then.

"Everybody needs to plug into this: trade unions, employers and the state," Labor Minister Gulshara Abdykalikova said. "A worker can make demands and an employer should consider them. It should not lead to the kind of situation we had in Zhanaozen."

After the riots, Nazarbayev, never tolerant of dissent, removed his son-in-law from the top job at sovereign wealth fund Samruk-Kazyna, ultimate owner of the oilfields around Zhanaozen. The fund has since created advisory bodies on labor issues.

A Western executive who attended one of the fund's recent seminars said particular attention had been devoted to mid-level managers, who are often prone to neglect labor problems for fear of rebuke from further up the command chain.

It's a problem that Shumkin has witnessed in Karaganda.

"Before you know it, the whole mine is at boiling point," he said. "The big problem for society in Kazakhstan, and other countries in the same situation, is to change the way managers think before we reach breaking point."

Alternative Industries

While companies are responsible for their workforce, social problems in one-industry towns run deeper. The wounded citizens of Zhanaozen interviewed by Reuters in December were mostly unemployed residents of a town that had outgrown its original purpose.

The government's role is to support alternative industries. In Balkhash, another of the Karaganda region's monogorods, this means reducing dependence on the Kazakhmys copper smelter that looms by the shore of the half-freshwater, half-saline lake.

After the last increase, the average monthly salary at the smelter rose to about \$1,000. But outside the plant, the salaries are lower. After spending half his \$400 wage on rent, power station worker Oleg Kudinkov, 46, says little is left to provide for a wife and two children.

A city government program envisages that investment in road-building, fishing and tourism should help raise the working proportion of the population to 60 percent by 2020 from slightly less than half.

The miners of the Karaganda region who will continue working underground, however, are hoping the promise will not fade of greater rewards for the dangerous work that they do.

Entering the shaft at the Kostenko mine in Karaganda, where coal has been dug for 70 years, miners pass beneath a painting of a wife and two children waving their breadwinner off to work. It reads, "We're waiting at home for you, alive and healthy."

"There's nothing romantic about working down a mine," says Shumkin, an accomplished guitarist, after performing a self-penned mining ballad in the basement music studio where he spends much of his time.

"People do it to earn money. If there's not enough money, and the conditions are dangerous, then what's the point?"

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