

Line Managers: Between capital and labour

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Michael Burawoy famously argued in the 1990s that Russia was not in transition to industrial capitalism. What was developing in Russia was a kind of ‘merchant capitalism’, in which profits were appropriated not on the basis of production but on the basis of trading monopolies.² Borrowing from Marx’s account of the development of capitalism in Europe, Burawoy argued that the development of a market economy does not necessarily lead to the transition to industrial capitalism, but may even reinforce the pre-existing forms of production. The impact of the transition to a market economy in Russia similarly led not to the development of capitalist production, but to a process of ‘involution’ which reinforced the distinctive characteristics of the soviet system of production as industrial enterprises sought to protect themselves from the vagaries of the market, replacing monetary transactions with barter, increasing the degree of their self-sufficiency, and handing responsibility for the organisation of production to the shop floor.³

There is no doubt that Michael Burawoy offered a powerful characterisation of the development of capitalism in Russia in the 1990s. The priority of enterprise directors in the transition to a market economy was not the maximisation of profits, which only attracted the interest of the tax authorities and criminal structures, but ‘survival’, the reproduction of the enterprise as a social organisation, the ‘preservation of the labour collective’, which was the basis of the power and status of the director. This priority was reinforced by the expectations of the labour force carried over from the soviet period, for whom the legitimacy of the director’s position did not derive from any property rights, but from the director’s ability to preserve the jobs and wages of the labour force.⁴ This priority was further reinforced by privatisation to the labour collective and by

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² Michael Burawoy and Pavel Krotov. ‘The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry.’ *American Sociological Review* 57 (February) 1992: 17. (Буровой М. и Кротов П. «Советский вариант перехода к капитализму: рабочий контроль и экономические взаимоотношения между предприятиями в лесной промышленности» // Рубеж №4, 1992).

³ Michael Burawoy. ‘The State and Economic Involution: Russia through a Chinese Lens.’ *World Development* 24 (1996), pp. 1105–17; Michael Burawoy ‘Transition without Transformation: Russia's Involutionary Road to Capitalism,’ *East European Politics and Societies* 15:2 1999: 269–290.

⁴ Simon Clarke and Veronika Kabalina, “Privatisation and the Struggle for Control of the Enterprise in Russia”, in David Lane (ed), *Russia in Transition*, Longman, 1995 (Кабалина В.И., Кларк С. Политика приватизации и борьба за контроль над предприятием в России //

pressure from local authorities, which depended on a functioning enterprise to provide jobs for the local population, to provide tax revenues for the local authority and, in many cases, to contribute to the maintenance of the local housing, transport, social and welfare infrastructure. The lack of funds for investment meant that the enterprise depended on the skills and initiative of the workforce to keep archaic machinery in operation and to identify new products which could be made with the existing equipment and available parts and materials, so reinforcing the traditionally anarchic system of production management.⁵

The reinforcement of the traditional social structure of the soviet enterprise is the key to understanding the relative lack of resistance of Russian workers to the deterioration of their living standards and working conditions. Enterprise directors presented themselves as the guardians of the interests of the 'labour collective'. Workers saw the enterprise director not as the source of their misfortune but as their protector from the devastating impact of the transition to a market economy, and their response to an inadequate director was not to oppose him but to replace him. Workers sought to secure their individual interests not through their collective organisation, but through the patronage of their managers, with line managers representing the interests of the shop or department, just as the director represented the interests of the enterprise as a whole. The more capable and enterprising workers sought a solution to their problems not through the exercise of their 'voice', but through exit, finding a more satisfactory job elsewhere, while those who remained were grateful to have a job at all. The only significant collective expressions of worker protest were those sponsored by managers. Mass actions were largely confined to branches reliant on state finance or state subsidies: health, education, public transport and coal mining, and were directed not against the employers but against the state. Even local actions were primarily sponsored by management, either by a faction opposed to the incumbent director or, more often, by an enterprise director resisting acquisition by outside owners.

Of course, alongside the traditional soviet enterprises there was a rapid growth of a new private sector, which provided opportunities for many of those who left decaying traditional enterprises and for new entrants to the labour market. New private enterprises had a big advantage during the late perestroika period, while state enterprises were still restricted by price and wage controls, which they by-passed by hiving off production units into 'co-operatives' and by using new private enterprises as intermediaries. During the early 1990s new private enterprises found their niche predominantly in trade, catering and consumer services. During the later 1990s there was a growth of new private enterprises providing business services, particularly in security, but also providing business consultancy, research and development, legal, accounting and marketing services. But the only productive sector in which new private enterprises made significant headway was in information technology. Although the reformers pinned great hopes on the growth of the new private sector, most new private enterprises remained small, with a very high failure rate, serving local markets. Most new private enterprises were owner-managed, with flexible, not to say anarchic, management systems, little specialisation of management functions, and generally authoritarian labour relations which provided no space for worker resistance, with the response to dissidence being the traditional phrase, 'if you don't like it, leave'. New private enterprises which expanded successfully often proved unmanageable and tended to fragment. The new private sector could complement the traditional enterprise sector, but it could not possibly replace it.

The transition to a market economy was certainly not marked by the industrial regeneration that the liberal reformers had hoped for. GDP at constant prices was halved between 1990 and 1998,

Рубеж (Альманах социальных исследований). 1996. № 8-9: 60-97).

⁵ Simon Clarke, ed., *Management and Industry in Russia: Formal and Informal Relations in the Russian Industrial Enterprise*, Cheltenham: Edward Elgar, 1995; Simon Clarke, ed., *The Russian Enterprise in Transition: Case Studies*, Cheltenham: Edward Elgar, 1996.

while both agricultural and industrial production fell by slightly more than half.⁶ Even those sectors which should have flourished with the transition to a market economy declined: the production of fuels, with the world market at its feet, fell by one-third. Retail trade turnover fell by almost 20%, food processing fell in line with the rest of industry, while light industry, the cinderella of the soviet system, was decimated by falling living standards and foreign competition, its output declining by more than 80%.

The collapse of production was accompanied by the collapse of investment, which was most dramatic in the years of disintegration of the soviet system, when gross fixed investment fell by half in just two years, and by a further half in the next three years, before settling at one-fifth of its historic level. The result is reflected in the ageing of industrial plant. The average age of industrial plant and equipment in the late soviet period was about 9 years, but by 1999 it had increased to over 18 years, with less than 4% being under five years old and about two-thirds having been installed even before the beginning of perestroika in 1985. Far from being regenerated by the transition to a market economy, the Russian economy was still capitalising on the deteriorating legacy of the past.

The collapse of the economy was reflected in the decline in employment and wages. Total employment fell by over 20%, with employment in industry falling by 40%, construction by 44%, and science by 54%, while employment in credit and finance increased by 80%, from a very small base. Employment in public administration increased by the same proportion, creating five times as many new jobs as credit and finance – so much for the transition to a market economy – while employment in trade and catering, the one branch dominated by new private enterprises, increased by two-thirds (despite the decline in the turnover of retail trade).

Real wages collapsed in the three bursts of inflation in 1992, 1995 and again in the wake of the August 1998 crisis. By the end of 1998 average real wages had fallen to one-third of their 1990 level, although this gives a somewhat misleading impression, since the increased money wages of the late Gorbachev period could not be realised as there was so little to buy. Two-thirds of all wage earners earned less than twice the subsistence minimum, in other words they did not earn enough to support one dependent. The fall in wages was associated with a dramatic increase in wage inequality, from a Gini coefficient of 0.24 in the soviet period to a coefficient of 0.48 since 1992, generating Latin American levels of inequality. Moreover, this increase in inequality does not primarily reflect an increase in class inequality, although that is very striking in every large Russian city. Half the inequality is accounted for by differences in wages between different workplaces, so that a cleaner in a prosperous bank could earn more than the director of a declining industrial enterprise.

Alongside the devastation of the productive economy and the pauperisation of the Russian population, the small group of oligarchs and the companies they controlled accumulated staggering fortunes almost overnight. But where did their fortunes come from? The first fortunes were made through commercial and financial intermediation. Traders were able to make enormous fortunes by exploiting the differences between Russian and world market prices in the period of perestroika and the first years of reform. If they could monopolise the trade by obtaining exclusive licenses and permits, or by using threats and force against potential competitors, their profits could be all the greater. As privatisation got under way, they were able to consolidate their control of the market by acquiring a controlling interest in the supplier companies. This could be achieved, as it was in metallurgy, by buying up the shares that had initially been allocated to workers and managers. The most dramatic fortunes were acquired through the notorious 'loans for shares' auctions in 1996, when most oil companies were sold off to insiders at derisory prices. But in all these cases, the oligarchs made their profits not by investing in the modernisation and development of production facilities in the oil and metallurgy

⁶ All statistical data is the published data of Rosstat, unless otherwise stated.

industries but from their commercial intermediation, usually selling at low prices to their own offshore companies in which they sheltered the profits.

Despite the huge profits being made from the export of oil, gas and metals, almost no investment was being made by the oil and gas and metallurgical companies which supplied the new banking-centred corporate structures of the oligarchs so that the production of fuels was declining, existing reserves were being rapidly depleted and the exploitation of new reserves postponed because of the lack of investment. Oil extraction fell by a third between 1990 and 1998, although the number employed in the industry more than doubled. In 1998 the rate of fixed investment as a proportion of output in the oil industry was only one-third of the 1985 level.

Where the oligarchs did invest and expand their fortunes domestically, it was not in productive investment but in the commercial banks that they controlled and through which they managed their commercial activity, which made the bulk of their profits from speculation in foreign exchange and the government debt. Moreover, a large proportion of the assets of the new commercial banks in the early 1990s, which they lent to the government at exorbitant rates of interest and through which they financed the 'loans for shares' deals, was in fact the government's own money, because the commercial banks were given the commission to collect taxes and customs revenues on behalf of the government.

Following the collapse of the soviet system, the surplus that had been appropriated by the state was now appropriated by the new Russian capitalists and their foreign partners, but this appropriation now took place not through an administrative-command system of economic management, but through market mechanisms as new capitalist intermediaries exploited the vulnerability of industrial enterprises (and often the venality of their directors) to establish control of sales and supplies, particularly exploiting the demonetisation of the economy to manage barter chains. In some cases industrial enterprises were acquired through holding companies, but this was purely as a commercial or financial investment through which the holding company would manage the subsidiary enterprise from outside, without intervening in the internal management structures of the enterprise, beyond perhaps appointing its own person as enterprise director in order to secure its control. The holding company would impose financial targets on the subsidiary enterprise, and occasionally provide the finance for some investment in production. If the acquisition was to secure supplies for a commercial operation, for example to obtain fuels or metals for export, the holding company might control the subsidiary through a tolling or processing arrangement, whereby the holding company would supply raw materials and require deliver of a certain produce at prices set by the holding company. If the acquisition was a financial investment, the holding company would impose profit targets on the subsidiary. It was then for the enterprise management to deliver the required products and financial returns, which generally involved radical cost reductions to be achieved through deferring the maintenance and repair of equipment, energy savings, increased autarchy and self-provisioning and the intensification of labour.

The vast majority of Russian enterprises struggled to survive in the face of intense domestic and foreign competition, with minimal investment and earning little or no profits, using inherited plant and equipment and retaining the traditional soviet social organisation of production, while the bulk of the surplus was appropriated by monopolistic and at best semi-criminal commercial intermediaries. Enterprises cut costs not by revolutionising production methods, but by reducing real wages and intensifying labour and they stayed in business by defaulting on their payments to suppliers and to their own employees. Russian enterprises and organisations continued to function much as they had in the soviet period, with little change in their management structures and practices and with an orientation to survival rather than to the maximisation of profit. Although the vast majority of enterprises had been privatised, the majority were worthless as capitalist property, making almost no productive investment and making almost no profit. In 1998 enterprises and organisations as a whole recorded a net loss amounting to 4.3% of GDP. While the taxation of company profits in 1998 amounted to 1.3% of GDP, total dividends paid

out amounted to only 0.3% of GDP. Meanwhile, by 1998 the cost of debt service had risen to 4% of GDP, much of which was paid to Russian banks, and capital flight was running at \$20-25 billion per year, more than 5% of GDP and five times as much as gross inward foreign direct investment.

Foreign capitalists were showing no more enthusiasm for investing productively in Russia than were their Russian counterparts. Foreign Direct Investment in Russia lagged behind that in Poland and was at about the level of FDI in Hungary and the Czech Republic, amounting between 1994 and 1998 to an average of about \$3 billion per annum, although it increased sharply in 1997, with total foreign investment peaking at just over \$12 billion in 1997 (some of which was repatriated capital outflows) before collapsing again after the 1998 default. Only 2.2% of the derisory amount of total fixed investment in 1998 was due to foreign investors, almost double the level of the previous year, with a further 4% being due to Russian investors with foreign partners. In 1998 19% of foreign investment went into oil and metallurgy, 13% into the food processing industry and 30% into trade and catering, commerce and finance with only a trivial amount in the remaining industrial branches.

The steady decline of the real economy through the 1990s could not be sustained indefinitely since the new forms of surplus appropriation based on 'merchant capitalism' lacked any mechanisms to secure the reproduction of the system of production. Plant and equipment was deteriorating rapidly without the resources for modernisation and replacement, or even for proper maintenance and repair, while the ageing industrial and agricultural labour force was losing its skills and, with extended stoppages and short-time working, the work ethic inherited from soviet society was being eroded. There is nothing unusual about integration into global capitalism leading to the destruction of indigenous productive resources and the pauperisation of the mass of the population, but new investment was increasingly urgently required in the modernisation and re-equipment of the extractive industries, oil, gas and metallurgy, if global capital was to continue to be able to pump out Russia's natural resources. The opportunities for profit from the extraction and primary processing of natural resources were so enormous that investors would eventually be found who would be ready and able to overcome any barriers presented by corruption and criminality.

In fact the environment was transformed by the 1998 default and devaluation and the subsequent steady rise in the world price of fuels, metals and other mineral resources. After regularly hailing the 'coming Russian boom' with every publication of unfavourable economic indicators,⁷ most liberal commentators proclaimed the 1998 default a disaster which would seriously postpone the anticipated Russian recovery. The liberal economists proved wrong yet again, as the Russian economy seemed to turn the corner in the wake of the default, with steady GDP growth in each succeeding year.

There were three factors which fuelled the Russian boom, when it eventually came.⁸ First, the increase in the world market prices of oil, gas and metals gave a substantial and continuing boost to the Russian terms of trade, its balance of international payments and the government budget. Second, the sharp devaluation, which was not initially compensated by increased money wages, gave domestic producers a substantial competitive boost on domestic and, in some cases, export markets and attracted foreign companies which had begun to supply the domestic market to explore opportunities for direct investment in Russian production facilities. Third, the decisive factor in sustaining the boom was that the investment environment was radically changed. By 2002 the benefits of devaluation had been largely neutralised by domestic price and wage

⁷ Richard Layard and John Parker. *The Coming Russian Boom: A Guide to New Markets and Politics*. New York: The Free Press, 1996.

⁸ *From Transition to Development: A Country Economic Memorandum for the Russian Federation*, Washington DC: World Bank, Report No. 32308-RU, March 2005.

inflation, while most domestic excess capacity had been mopped up, so that sustained growth would depend on new investment. The 1998 financial crisis hit the banks very hard and led to a sharp reduction in the possibilities of profiting from financial operations, so that the dominant bank-centred financial-industrial groups had to turn their attention to other, more secure, ways of making money. Most of the leading domestic players had managed to extricate themselves from their over-commitment to the banking system before the crisis struck, leaving foreign investors to carry the heaviest losses, and had transferred the centre of their operations from their banks to broader holding companies, the largest of which were built around fuel, energy and metallurgy enterprises. The loss of opportunities to profit by financial speculation and the transformed prospects for domestic investment led to a substantial reorientation of Russian holding companies towards domestic productive investment.⁹ At the same time, the introduction of a new bankruptcy law in 1998 made it very easy for creditors to use the law to acquire even solvent enterprises at very favourable prices. As a result, following the 1998 crisis, Russian capital moved into production on a large scale as holding companies purchased industrial enterprises, often at knock-down prices, through share purchases, debt-equity swaps or the bankruptcy procedure. Moreover, by contrast to the period before the default, the holding companies began to invest and to intervene directly in the management of many of their subsidiary enterprises. This has led to a sharply increased concentration of ownership, particularly in the 'strategic' sub-sectors in which Russian corporations have been most active – oil and raw materials, automobiles and chemicals and related branches of production upstream and downstream. The 1998 default therefore precipitated a transition from the phase of 'merchant capitalism' to a new phase of development of industrial capitalism, a transition of what Marx characterised as the 'formal subsumption of labour under capital', when capitalists exploit previously existing forms of production, to the 'real subsumption', in which capitalists take command of the process of production and recast it as the basis on which they can produce and appropriate a surplus.

The real subsumption of labour under capital implies not merely a change in the objectives of the senior management of the enterprise, but also a fundamental transformation of its social structure. The traditional soviet enterprise was oriented to the achievement of production plans with the resources allocated to the enterprise, regardless of cost. A capitalist enterprise has to produce commodities at a cost and of a quality which can be profitably sold on the market. This can only be achieved by transforming the traditional management structures and processes to impose the new priorities at all levels of the enterprise. Management restructuring is not simply a process of rationalisation or modernisation, but of social transformation. Changing management structures and processes involves fundamental changes in the social structure of the enterprise, with a change in the relative power and status of different management specialisms and of the relationship between different departments of the enterprise. In particular, it involves a displacement of the traditional centrality of production and production management and it involves the subordination of production divisions to economic rather than technical priorities. This means that the real subordination of labour under capital implies the opening up of new social divisions and the definition of new lines of implicit or explicit conflict within the enterprise. The foci of conflict are, on the one hand, the definition of the values and objectives of enterprise management and, on the other hand, the status and power of different functional specialisms and levels of management.

The real subsumption of labour under capital in Russia is associated with the acquisition of an enterprise by a new outside owner and specifically its integration into the management structure of a holding company. In the period of 'merchant capitalism' the relationship between the holding company and the industrial enterprise was a purely exploitative one, in which the

⁹ Evgeny Novitskiy. *Corporate Business: Core of Russian Economy*, June 25, 2002. <<http://www.rencap.com/eng/research/morningmonitors/PDF/01abe3f2-24a7-4af3-9749-7e2cbef42ec3.pdf>> (last accessed 27 May 2006).

holding company imposed financial targets on the enterprise but made only the most minimal investment and did not intervene in its internal management. This pattern is still predominant today in the less dynamic branches of production producing for the domestic market, such as much of engineering and light industry, where profits are still to be made primarily by the intensive exploitation of an ageing workforce working with antiquated equipment and there are limited possibilities for profitable investment in new production facilities. In such cases the principal line of latent or overt conflict is between the enterprise as a whole, the 'labour collective', and its outside owner. It falls to the enterprise director, often an appointee of the holding company, to manage this conflict, one indicator of which is a high turnover of enterprise directors as they fail to reconcile the expectations of the labour collective and the owner.

Since 1998, in the more dynamic branches of production, holding companies have begun to invest in their subsidiaries in order to modernise their production facilities, and in this case it is necessary to bring the subsidiary under stronger control in order to ensure that the anticipated profits from the investment are realised. New management structures and processes cannot be introduced to the subsidiary enterprise overnight. In general management restructuring proceeds from the top down.¹⁰

The first step in strengthening such control is generally the replacement of the core of the existing senior management team by new senior managers appointed by the holding company. Sometimes the new managers will be appointed from within, ambitious young people who know something of the particularities of the enterprise, but more often they are appointed from the loyal staff of the holding company. The potential line of division in such cases is between the new senior managers and the management personnel who have remained from the previous regime, who see themselves as the guardians of the traditions of the enterprise. However, the potential for conflict in this division is substantially ameliorated to the extent that the new owners also provide access to new markets and to investment finance or make substantial direct investments in production facilities, so facilitating the long dreamed of revival of the enterprise. Although conflicts within the management team are not unusual, there is usually a process of assimilation of the established managers to the new managerial ethos, with the progressive replacement of those who cannot handle the change.

In many respects the relationship between the holding company and its subsidiary resembles the traditional relationship between a soviet enterprise and its responsible ministry. Key management functions are often centralised in the holding company, so that sales and marketing, supply, investment planning, financial management and even personnel management strategies are laid down by the head office and the relevant department in the enterprise will have a purely executive and book-keeping role, as was the case in soviet times. The subsidiary enterprise will be given production and financial targets and will be assigned supplies, just as it was in soviet times, although now financial indicators have much more weight than do indicators of quantitative output. Such a return to traditional methods of centralised management is often met with some relief by those managers who had worked through the 1990s, since the subsidiary no longer has responsibility for sales and finance, which had been such a headache in the crisis years. To a considerable extent, production management is able to reclaim its previous position, since the success of the enterprise depends on their ability to master the technical challenges presented by the market economy.

However, production managers now have new responsibilities imposed upon them. Their task is not merely to meet production targets, but also to improve quality indicators and, above all, to

¹⁰ Simon Clarke, 'A very soviet form of capitalism? The management of holding companies in Russia', *Post-Communist Economies*, 16, 4, 2004 pp. 405-22 (Кларк С. Чисто советская форма капитализма? Менеджмент холдинговых компаний в России // журнал социологии и социальной антропологии. 2004. Т.7. – №3. С.20-45).

reduce costs. The task is simplified to the extent that there is new investment in production facilities, which makes it possible to improve product quality and reduce the time lost to breakdowns, but the complete re-equipment of production facilities is rare, so many of the traditional problems of production management persist, and even when there is new investment the demands on quality and productivity tend to be constantly ratcheted up. The burden of achieving these demands fall on the line managers. Line managers include both shop chiefs and foremen, whose status and role depends to some extent on the size of the production shops: a shop chief may manage anything from a handful to 1000 or more workers. In the latter case, of course, his role is closer to that of a middle manager, while the line management role falls to the foremen.

While the structures and processes of enterprise management have been transformed to a greater or lesser degree in enterprises which have been integrated into holding structures, there has been very little change in the traditional forms of personnel and production management. Line managers are expected to achieve the new tasks imposed on them using their traditional management methods.

In Soviet enterprises line managers had a high degree of autonomy in the methods by which they achieved plan targets. This autonomy was strengthened with the disintegration of the Soviet system as enterprises struggled to survive by all the means at their disposal. However, with the centralisation and increasing profit orientation of enterprise management, line managers in traditional enterprises face apparently insuperable tasks. Line managers are at the intersection of the aspirations of top management and the reality of the workplace, squeezed between pressure from top management and from the workers they manage. On the one hand, they are responsible for the achievement of the plan targets, on the other hand, they depend on the discipline, loyalty and will of the workers to achieve these targets. In some cases this leads to resistance on the part of the line managers to the demands imposed on them from above, in some cases they ignore or passively subvert those demands, and in some cases they do their best to achieve the demands imposed on them, using their traditional methods.

The function of line managers is to deliver the range and quantity of products of the prescribed quality, according to a defined schedule and with the resources allocated for that purpose. It is this function that determines their status and place in the enterprise. One striking finding of our research was that line managers have been largely excluded from strategic decision-making. In independent enterprises a bare majority of shop chiefs participated in decision-making regarding employment, production and work organization, but in enterprises incorporated into holding companies fewer than a quarter of shop chiefs participated in decision-making even in these spheres which related directly to their functional responsibilities, and the majority were only consulted, or only involved once the decisions had been taken. When it came to questions of finance, wages, and even planning and social policy, the majority of shop chiefs were not even consulted before decisions were made and in questions of investment and price-setting the majority were not even involved in discussion after the decisions had been taken.

Even in their own shops there had been some erosion of the authority of shop chiefs. They usually still had the authority to hire workers and foremen for their shops, but almost never had any say in determining the terms of their contracts. Shop chiefs had little influence on the pay of individual workers, they could never determine the size of the wage fund available to the shop and only rarely could they assign pay increases or determine the social benefits provided. In the majority of cases, shop chiefs did not have any control of the work schedule. They were nearly always responsible for identifying candidates for redundancy, but hardly ever decided how many should be made redundant. As one shop chief said about his functional duties, *'I am only the executor'*.

The everyday management of work processes at the level of the shops is still very traditional and has shown very little change. As one shop chief said: *'The functions of the section chiefs and*

foremen and so on are just the same as under communism, they are determined by the quarterly, annual and monthly plans. They are provided with everything they need and they organize production on the spot'. For the vast majority of shop chiefs, the main task of the shop is the traditional one of fulfilling the plan, although the control of quality has increased in importance. The primary functions of the shop chiefs are to organise the production process, the distribution of work and the scheduling and control of the performance of tasks to deliver the output with the resources put at their disposal. The achievement of plan tasks was almost universally recognized to be the sphere of competence of line managers, in which top management does not generally interfere. Thus, although shop chiefs have largely been excluded from strategic decision-making, the majority of them reported that the degree of their independence had increased. If top management is dissatisfied with the methods or the performance of line managers, the remedy is entirely traditional, to replace the line manager with somebody else and let the new person get on with the job.

Although the functions have not changed, the responsibilities of line managers have increased, since they now have not only to achieve the plan, but also must maintain quality and control spending. In some cases there has been an increased workload due to the abolition of posts. In other cases the workload may have increased due to the acquisition of more complicated equipment, an increase in the total amount of production, more rigorous quality standards or an expansion of the product range. Frequently, the responsibility and independence of the line managers has increased because they are having to cope with antiquated and unreliable equipment. But the biggest increase in the burden placed on line managers is that they are having to achieve increasingly demanding tasks with considerably diminished resources.

Line managers no longer merely have to beat out the regular monthly plan, they have to achieve unstable and unpredictable production targets, which may change day by day in response to fluctuating sales. This may not lead to disquiet if the tendency is for the plan to be increased, because that means more work and so more wages for the workers in the shop, although it can lead to a big headache for the line managers if they are short of workers. At the same time, they have to do this while meeting ever-stricter quality demands, with tighter restrictions on the expenditure of money and resources and pressure to reduce the number employed. In carrying out their tasks, shop chiefs continue to face many of the problems that plagued them in soviet times of uneven delivery of essential supplies, of poor quality components and raw materials, of unreliable machinery and equipment and shortages of essential tools and spare parts, although now these problems are often the result of the incompetence or penny-pinching of senior management rather than necessarily of the system as a whole. This has made line managers even more dependent on the skills and commitment of their core workers than they were in soviet times.

In the majority of our case-study enterprises senior management had taken steps to strengthen discipline, adding to the pressure on line managers, who have to check that workers do not arrive late for work or leave early and ensure that they do not consume alcohol in the workplace. This disciplinary role does not help them establish good personal relations with the workers on whom they depend.

The expansion of the functions and responsibility of shop chiefs and foremen has not been associated with an increase in the managerial resources at their disposal. Far from it, the attempt to strengthen senior management control in order to subordinate the enterprise to the constraints of the market or the dictates of the owners has markedly reduced the resources available to line managers and the degree of discretion that they can exercise in disposing of these resources. In the opinion of many of the line managers interviewed, they have to deliver the plan in the absence of real material and administrative levers of influence on workers.

The centralisation of management control has considerably reduced the resources at the disposal of line managers to provide incentives for their workers. Many enterprises abolished the

Coefficient of Labour Participation (KTU) in the 1990s. The KTU, at least in principle, enabled line managers to adjust wages in order to increase the wages of the best workers at the expense of the least productive. Similarly, the centralisation of control of expenditure has led to the abolition of the shop wages fund and the special bonus funds at the disposal of line managers. Although the proportion of the wage accounted for by bonuses has steadily increased, these bonuses increasingly tend to be allocated centrally and are considered by workers as a normal part of their wage. Thus, there are few positive incentives at the disposal of line managers, although in some cases, when workers are paid on individual piece rates, they still have the ability to influence workers' earnings by the traditional method of allocating them to better or worse paying jobs. Nevertheless, the principal levers of influence of line management are negative, through their power to deprive workers of a proportion of their bonus for particular failures or misdemeanours.

The limited powers of the line manager are not such a major problem in prosperous enterprises which pay good wages, where people value their jobs.

The pay of senior managers today is a closely guarded secret, but shop chiefs were asked to compare their pay with the heads of the marketing and financial departments and they overwhelmingly replied that they earned less or significantly less, whereas in the past they would have expected to earn more than the head of the department of sales and supply or the chief accountant (typically low status female occupations). Line managers have lost out in pay relative to senior managers, without making significant advances in relation to workers. It was commonplace in the Soviet Union that foremen earned less than the workers they managed, partly because the foreman's position was the bottom rung on the managerial career ladder, but this remains the case today in more than a quarter of the enterprises that we studied.

The career prospects of middle managers have also been severely reduced by the transition to a market economy. In the soviet system the route to senior management positions almost invariably started in the production divisions, and it is still the case in independent traditional enterprises that most top managers had made their careers in the factory, starting in production, but in enterprises that have been integrated into holding companies the top management positions are taken by young staff of the holding company with economic and professional qualifications, but rarely with production experience.

Line managers are under severe pressure from above to persuade the workers in their shops and sections to achieve plans and targets from the formulation of which they have largely been excluded, while they have very limited resources with which to achieve their aims. The fact that their wages are also much closer to those of the workers with whom they interact every day leads them in the majority of cases to identify with their workers rather than with senior management. The workers too tend to retain the traditional respect for their line managers, despite the increasing managerial role of the latter, and as in soviet times, identify them as the most important defenders of their interests, ranking them far above the trade union in this respect.

Line managers are not the vanguard of working class resistance to the advance of capitalism. Their commitment is to retaining their independence as production managers and their commitment to their workers is to their workers as diligent producers. Line managers may make representations on behalf of their workers, but they do not usually lead their workers into outright resistance to senior management (although they have an interest in pressing for their workers to be adequately paid and they can play a decisive role if there is a struggle for power in the enterprise). They are more likely to ignore, avoid, subvert or transform inconvenient instructions that are handed down from above, very often on the basis of informal relations within the shop and informal connections with managers of other divisions. This is frequently the case with labour discipline, where senior management demands a tightening of labour discipline, often with a policy of zero tolerance for drinking at work, but line managers do not want to lose skilled, reliable and loyal workers just because they have a drink now and then.

We have seen that line managers are in the front line in the attempt to impose new priorities on the management of production in traditional Russian enterprises. The tendency has been to increase the demands made on line managers, while restricting the resources at their disposal to meet those demands. Combined with their relatively low pay and limited career prospects, these tendencies are likely to lead line managers to identify more strongly with the workers whom they are required to manage than with the senior management which is imposing what they believe to be impossible demands on them. However, there are other tendencies operating in the opposite direction, some of which can be seen as deliberate attempts of senior management to secure the loyalty of their line managers.

In some enterprises there is a deliberate attempt to professionalize line managers, and to supplement their technical qualifications and experience with managerial skills and priorities. Various training courses are provided which are as much about developing a management ideology as about the acquisition of technical skills as part of the attempt to integrate line managers into the management hierarchy. But at the same time, once senior management turns its attention to the skills and abilities of middle managers the predominant response is to lament their inadequacy as managers and to develop plans to replace promoted workers by professional economists in that role.

Where the senior management has made a serious effort to preserve or even strengthen the status and authority of the shop chiefs in order to ensure the manageability of production, the shop chiefs are more likely to identify with senior management and to distance themselves from workers. The shop chiefs are particularly likely to be distanced from the workers in this way in large enterprises, each of whose production shops may be a factory in itself. In this case, the burden of reconciling the demands of senior management and the realities of the workplace falls on the foremen, who take on all the responsibilities of line management.

The lines of division within the enterprise are not necessarily between different levels of management. When senior management starts to replace shop chiefs with its own protégés, particularly in enterprises which have been integrated into holding companies, divisions are opened up between the existing line managers and the representatives of the new management team, which are expressed in different degrees of participation in decision-making and very likely in differences in salaries too.

Despite the efforts undertaken by the top management to integrate line management into the management team, at many contemporary Russian enterprises line managers feel themselves to be organizationally closer to the working class. This is particularly the case with foremen and shop chiefs close to pension age with considerable work experience, who are inclined to stand up for 'their' people (the workers of the shop) and to oppose the interests of production workers to those of the administration. But this is not just a matter of the persistence of traditional values and loyalties. It is also a matter of the pressures to which the line managers are subjected. When they are required to persuade the workers under their command to do things which are not technically or humanly possible, because of the limitations of equipment, supplies and human capacities, or for which they are not adequately compensated, the foreman or shop chief has little choice but to take up their cause, not least because this is the only way in which he or she can hope to avoid being blamed for failure to achieve the production plan or quality targets.

The incomplete subsumption of labour under capital in Russia today means that class conflicts are still diffused through the structure of management, appearing primarily in divisions within the management apparatus rather than in a direct confrontation between capital and labour. The completion of the subsumption of labour under capital is only really possible where there is substantial new investment, which makes it possible on the one hand to reduce reliance on the commitment of skilled and experienced workers by introducing more reliable modern production technologies and, on the other hand, to pay relatively good wages to provide workers with positive work incentives and line managers with effective levers of management.

Such a modernisation of production facilities does not result in the elimination of class conflict, but facilitates the assimilation of line managers to the management structure so that patterns of class conflict take on a more normal form, as conflicts between labour and management over the terms and conditions of employment. We can see an example of such a development in the Ford plant at Saint Petersburg, where the traditions of the Ford Motor Company of the tight integration of line management into the management structure and the strict subordination of labour have been reproduced. Substantial investment in a greenfield production facility paying relatively good wages was associated with a management structure in which line managers are unequivocally part of the management apparatus. But over the past year the traditional trade union has been replaced by a more militant union which has been aggressively pursuing demands for higher wages. Perhaps Ford shows the future to Russia in the new century, as it did in the early years of Soviet power!