

Russia Coal Sector Restructuring Social Assessment

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The World Bank
ECA Country Department III
Infrastructure, Energy and Environment Operations Division

RUSSIA COAL SECTOR RESTRUCTURING SOCIAL ASSESSMENT

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The findings, interpretations, and conclusions expressed in this paper are entirely those of the author(s) and should not be attributed to the Government of the Russian Federation, to the World Bank, to its affiliated organizations, or to members of its Board of Executive Directors or the countries they represent.

TABLE OF CONTENTS

PREFACE

ACKNOWLEDGEMENTS

EXECUTIVE SUMMARY

CHAPTER 1: INTRODUCTION AND BACKGROUND	1
Coal Industry: Background	1
Key Players and Their Interests	3
Social Impacts of Coal Industry Restructuring	5
World Bank Involvement.....	8
CHAPTER 2: SOCIAL ASSESSMENT: OBJECTIVES AND METHODOLOGY.....	10
Objectives and Methodology	10
Survey Areas	12
CHAPTER 3: FINDINGS OF THE SA: ISSUES AND RESPONSES	14
Develop Community Specific Responses	14
Focus on Vulnerable Groups.....	26
Improve Living Conditions and Housing.....	33
Recognize Diversity in Compensation Expectations	35
Discourage Government-Funded Voluntary Relocation.....	40
Recognize High Levels of Perceived Vulnerability	45
Increase Trust in the System	48

FIGURES

Figure 1:	Place of Birth
Figure 2:	Age Distribution and Family Type
Figure 3:	Mining as a Share of Total Employment, 1992
Figure 4:	Education Levels
Figure 5:	Education Levels - Pensioners vs. Unemployed
Figure 6:	Employment Structure - Vorkuta
Figure 7:	Employment Structure - Kiselovsk
Figure 8:	Living Conditions in Vorkuta and Kiselovsk
Figure 9:	Desire to Move
Figure 10:	Worker Vulnerability
Figure 11:	Need for Social Assistance - Vorkuta and Kiselovsk
Figure 12:	Organizations Trusted To Distribute Money And Benefits

TABLES

Table 1:	Monthly Average Household Income Per Capita
Table 2:	Labor Structure In Coal Basins
Table 3:	Employees in Different Sectors
Table 4:	Households With At Least One Person Employed Or Retired From Coal Sector
Table 5:	Housing Conditions In Settlements Of Vorkuta
Table 6:	Availability Of Modern Conveniences In Settlements Of Vorkuta
Table 7:	Professional Specialization
Table 8:	Employment Structure - by Gender
Table 9:	Opinions Regarding Opening Own Business
Table 10:	Readiness To Move Among Miners And Non-Miners
Table 11:	Opinions Regarding Mine Closures

BOXES

Box 1:	Psychological Reactions To Mine Closures - Global Experience
Box 2:	History Of Vorkuta
Box 3:	Coping With Uncertainty: Responses To The Closing Of Promyshlennaya Mine
Box 4:	Unemployment Benefits
Box 5:	Social Assistance Benefits in Russia
Box 6:	Miners' Benefits in Dimitrova Mine
Box 7:	Halmer-Yu Mine Closure and Relocation
Box 8:	Procedures for Mine Closures
Box 9:	Promyshlennaya Mine Closing
Box 10:	Workers And The Cherkasovskaya Mine Closing

REFERENCES**ANNEX 1: SAMPLING METHOD**

PREFACE

Russia's program for restructuring its coal sector affects a wide range of interest groups who have a stake in the sector. As part of the preparation of a Coal Sector Adjustment Loan (SECAL) and an Implementation Assistance Project, the Government of the Russian Federation and the World Bank supported the preparation of this Social Assessment. The assessment was a joint effort between Bank staff and Russian social scientists who systematically listened to the views of the people: the miners, their families and communities. The views of a broad range of other interest groups were also solicited and are reflected in this study.

The Social Assessment had an important impact both on the substance and process of World Bank assistance. With regard to substance, the Social Assessment helped reorient the thinking of the Bank, and, we believe, of the Government, towards more relevant and transparent institutional mechanisms to cushion the impact of the restructuring on miners and affected communities. The work also helped foster a broad consensus on the need for a permanent mechanism of social monitoring and stakeholder participation in the restructuring of the coal sector. With regard to process, the Social Assessment allowed both the Government and the Bank to develop a credible basis for discussing what beneficiaries did and did not feel was important to improving their lives. That the Russian coal restructuring program now places an emphasis on funding social assets divested from the coal industry is, in great part, due to the Social Assessment's findings.

This Social Assessment is one of the first to be associated with a policy based loan to be funded by the World Bank. It has been an important instrument in allowing attention to be given to social factors essential to the long term success of the reform agenda. In light of the broad interest in the social impact assessment of sector restructuring in general and of the special interest of coal restructuring in transition economies, this report is being published for distribution to the general public.

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EXECUTIVE SUMMARY

i. Russia's coal sector is undergoing significant restructuring. While intended to promote long-term economic improvement, the restructuring process involves closing many unproductive and unsafe mines -- and consequently, losses of jobs and real incomes. Those employed by the mining industry, as well as numerous other enterprises and public services, are all affected, as are their families and communities. The Government of the Russian Federation has requested World Bank funding to support Russia's coal sector reform program, specifically to: (i) reduce the impact of the coal sector on the federal budget by supporting the reduction, and eventual elimination, of subsidies; (ii) support a restructuring program to reduce the size of the industry to increase efficiency; (iii) cushion the impact of the restructuring on coal miners, their families, and affected communities; and (iv) promote the long term sustainability of the coal sector through the establishment of a competitive, commercial industry. As one of the first steps in preparing this support, a team of local social scientists carried out a social assessment (SA) in collaboration with the Ministry of Economy of the Russian Federation and the World Bank.

ii. The main objectives of the SA were to: (a) identify key stakeholders and establish an appropriate framework for their participation in the coal sector restructuring; (b) assess the socioeconomic characteristics of households in mine basins; (c) determine how miners and employees of other sectors are affected by restructuring, as well as understand the labor market and workers' expectations with respect to social protection and compensation; (d) characterize attitudes toward government-sponsored relocation programs that promise free housing to residents of Northern regions affected by the coal sector restructuring; (e) assess the level of trust toward various social institutions; and (f) determine how people affected by mine closures would like to see the restructuring proceed.

iii. To achieve these objectives, the SA involved consultations with a broad range of stakeholders focusing primarily on miners, their families, and mining communities. In particular, the SA team carried out several thousand formal and informal interviews and group discussions in four of the major coal basins; Vorkuta, Tula, Rostov, and Kemerovo. The team also carried out a survey of 800 households in Komi Republic-Vorkuta and Kemerovo-Kiselovsk, and prepared case studies based on several hundred interviews. Several hundred informal interviews in coal communities in Tula and Rostov also were undertaken. In all of the communities visited, the SA team consulted local trade union members, coal associations, local government representatives and non-governmental organizations (NGOs). A first draft of the SA report, which was prepared in March 1996, has been discussed with the staff of Ministry of Economy and the Ministry of Labor, key stakeholder groups including members of Duma, and executive officers of trade unions. This draft reflects their comments.

Key Players and Their Interests

iv. A range of stakeholders are affected by the coal industry restructuring process, each having their own special concerns and interests that often conflict with those of the others. They include beneficiaries and other affected populations, local and regional institutions, coal sector managers including mine managers and regional and national coal associations, trade unions, regulators and policy makers, and the broader constituency for reform.

v. While there are no direct or immediate beneficiaries of the restructuring, Russians all over the country,

who have indirectly paid for the large subsidies channeled to inefficiently managed mines, eventually will see their financial burden reduced as the coal sector becomes more self-sustaining. In addition, the employees of efficient mines are likely to benefit from the creation of a smaller but viable and profitable mining sector. The major losers in the coal sector restructuring are those in the coal regions – miners and non-miners as well as their families and communities – who will be adversely affected when subsidies are reduced, jobs are cut, and mines are closed. Their suffering, however, could be cushioned and reduced with improved policies, timely and adequate information, and full payment of existing legal entitlements. Their potential losses in terms of rapid deterioration of social services, housing, and infrastructure can only be partially and gradually compensated by strengthening local governments to take over the management and maintenance of social assets and by encouraging new investments in other sectors. International assistance can help to cushion the impact of coal sector restructuring.

vi. Another important stakeholder group is the **constituency for reform** which includes the public at large, academic institutions, labor and professional associations, and the media. Due to the high visibility of the coal sector, the views of the media and the public at large are extremely important for economic reform in the country as a whole. Similarly, the management of coal sector reform is one of the key issues that influences the balance of politics in Russia. NGOs of the sector, while limited in number and regional scope, also are important and receiving increasing government attention.¹

Social Impacts of Coal Sector Restructuring

vii. Russia's coal sector restructuring is having and will continue to have major impacts on the lives of coal miners as well as their families and communities. These impacts are felt in three principal ways:

- (a) **Loss of employment.** Unemployment can arise from: (i) losses of jobs at closing mines; (ii) downsizing of employment at mines that continue their operations; and (iii) employment reduction in enterprises that support mining operations (for example, equipment manufacturing) and services that support mine settlements (for example, medical facilities and kindergartens).
- (b) **Inadequate compensation.** Miners are uncertain of their entitlements; and there are significant differences between entitlements and what miners actually receive. Severance benefits under the existing system are restricted to three months of wages. If unemployment extends beyond three months, laid-off workers are entitled to additional compensation equivalent to a portion of their base salary. While some regulations theoretically allow workers to receive compensation and pension payments augmented by the regional coefficient (an increase above the base salary for residents of harsh climatic zones), these entitlements usually are nullified by ceilings imposed by the entities administering them. Moreover, while the severance package agreements signed between individual mines and unions have been quite generous, often they have not been observed during mine closures.
- (c) **Deterioration of social services.** Traditionally, mine associations have provided a range of services to miners and the settlements that support individual mines (for example, housing, education, health care,

¹ Recently, the Fund for Social Guarantees, working with the Veterans of the North and Disabled Miners Fund have received Inter-Agency Coal Commission support for a five year proposal to relocate a group of particularly vulnerable mine workers.

transport, vacation facilities, energy and other infrastructural services). While these services have tended to be better than the average for the population as a whole,² their transfer to financially stressed local governments has meant either that these services were no longer available or their quality deteriorated. Although this problem is not unique to coal basins, it affects residents when their ability to cope with inadequate services is particularly limited due to large-scale unemployment in both coal and non-coal sectors as well as to an insufficiently diversified economic base that cannot offer alternative employment.

viii. While any restructuring involves significant social costs, coal restructuring in Russia has had a particularly adverse impact. The SA suggests that: (a) workers have not received the advance notice required by Russian labor legislation; (b) coal subsidies were not effectively used to provide better social protection for those who have lost their jobs; (c) the coal labor unions have failed to defend the interests of the workers affected by mine closures; (d) social services transferred from coal companies to municipalities have deteriorated; (e) non-miners were inadequately protected from the impact of mine closures by the existing social safety net; (f) the present institutional arrangements do not ensure an equitable allocation or reliable distribution of subsidies; (g) miners are ill-informed about their rights and about the restructuring program; and (h) mining communities have little trust in the present system, particularly for allocating and distributing subsidies.

Main Findings of the SA

ix. The results of the SA confirm that miners and mining communities in the four major coal basins are not faring well under the current system of coal restructuring. Their uncertain future, lack of adequate information and legal recourse, irregularity in receiving wages, severance payments, and guidance for employment search, and lack of trust in the government and other institutions, highlight the need to manage better the social dimension of the coal restructuring process. The following are the main findings of the SA:

- (a) **Coal settlements have diverse characteristics with respect to demographic structure, income levels, and labor force.** As a result, their response to and expectations from coal sector restructuring are not uniform. Some communities have established a well-linked social fabric and their members are able to support each other in coping with the negative impacts of the restructuring process. Other communities have more heterogeneous populations, with many immigrants from other regions of the FSU and weaker community support systems. Community specificity, therefore, is important in defining the impacts of sector restructuring and the necessary measures for mitigating them.
- (b) **The portion of the working population actually employed by the coal sector varies considerably by community.** According to the 1994 World Bank Report, "Russian Federation Restructuring the Coal Industry: Putting People First," in Kemerovo and Komi Republic, mining constitutes slightly

² According to the findings of a Bank mission undertaken in April 1996 to various coal regions, the housing and utility costs were the largest burden, amounting to 58 percent of the social spending, while kindergartens were 27 percent and entertainment facilities 11 percent of the total. With respect to housing costs, those associated with providing heat and hot water amounted to 60 percent; the rest is spent on maintenance and capital repair. In 1993, the Russian Government initiated a general program of social assets divestiture from enterprises to municipalities. Until late 1995, the coal enterprises did not divest a significant amount of their social assets. In the last months of 1995, however, a substantial portion of the entire stock was transferred. It is estimated that by January 1996, remaining social assets attached to Rosugol amounted to 30 percent of the initial stock.

over 18 percent and 10 percent of total employment, respectively. In all other coal regions, it constitutes a small share of employment ranging from less than 1 percent in Sverdlovsk to 6 percent in Rostov. Other enterprises such as milk factories, refrigerator and mechanical plants, construction materials plants, agricultural enterprises, chemical or textile enterprises are important sources of employment in these localities. In the last five years, moreover, the mining enterprises appear to have shed ancillary functions. Consequently, those working in social services, who once were categorized as "coal sector" employees, now are considered "government sector."

- (c) **Several arbitrary regulations make it difficult for people to move out of the coal basins.** Fear of losing one's housing entitlement appears to be the most important constraint to geographic mobility. Various regulations have imposed residential registration requirements and fees, prevented workers from getting their full pension compensation (including those with a higher "Northern" coefficient), or banned the collection of pension and unemployment benefits in different parts of the country. Members of coal communities anticipate severe difficulties in being able to receive unemployment benefits or their pensions once they move out of their communities. Perceived difficulties in selling their homes and/or having access to housing elsewhere in Russia further restrict their geographical mobility.
- (d) **Pensioners, elderly, migrant workers, the disabled, and women are adversely affected.** The results of the SA in the two surveyed communities reveal that pensioners and workers approaching retirement age are a particularly vulnerable group. They have attained lower levels of education than the rest (even less than the unemployed), lack specialized expertise, and have low geographic mobility and a weak social support base for changing locations and/or jobs.³ Pensioners are particularly vulnerable to mine closures not only because mines provide opportunities for post-retirement employment, but pension benefits often are distributed by the mines. The disabled constitute a relatively large vulnerable group because of the health hazards that characterize the coal sector. Mine closures and/or serious downsizing are particularly threatening to this group because of the risk of losing the social benefits that they and their families received from coal associations. The status of migrant workers is not well-documented. Under the current system, however, migrant miners from Ukraine, Kazakstan, Azerbaijan, and other FSU republics receive half the salary of Russian miners and have far fewer privileges. While the vulnerability of women and women-headed households is less obvious from survey data, case studies of mine closures point to discriminatory practices directed at women. These SA findings related to vulnerable groups are broadly consistent with the findings of the Poverty Assessment conducted for Russia in June 1995.⁴
- (e) **Non-miners are also affected by coal restructuring.** Among those who have been laid off in Vorkuta

³ In this SA, vulnerability is measured in terms of risk of loss of employment and/or ability to respond to changing labor market conditions as opposed to absolute poverty. Risk of loss of benefits and inability to find mechanisms to access alternatives would likewise contribute to vulnerability. For example, if data indicate that older workers are more likely to be laid off and have less education and fewer skills to search for new employment, they would be identified as vulnerable.

⁴ According to the 1995 Poverty Assessment of the World Bank, "Women in Russia are particularly susceptible to poverty. Despite higher education levels and high labor force participation rates, women have traditionally been concentrated in low wage occupational groups, and paid less than men. They also figure disproportionately among the unemployed."

and Kiselovsk, miners are a small percentage. In many coal areas, unemployment in the non-coal sectors is high. For example, in many communities visited in Tula, numerous factories have shed workers or closed their doors permanently much earlier than the coal mines. Vulnerability to unemployment, therefore, is community-wide and is as much a problem of non-miners as it is of miners. Moreover, those employed in the non-mining sectors are vulnerable because they have lower incomes, higher rates of unemployment, less adequate living quarters, and lower levels of skills.

- (f) **The transfer of a substantial amount of social assets from coal enterprises to local governments is having adverse social effects.** Field observations and case studies as well as subsequent information from the Project Preparation Unit (PPU) - which was established in 1995 within the Ministry of Economy to help prepare the Coal Sector Adjustment Loan (SECAL) and Coal Sector Restructuring Implementation Assistance Project - indicate that, in principle, the transfer of social assets from coal enterprises to local governments has taken place already. In some regions, such as Vorkuta, numerous workers who were once on the payroll of coal enterprises, have been placed on the payroll of municipalities in the last few years. Because inadequate financing accompanied the transfer of assets, social support services such as hospitals and kindergartens have either closed or are unable to fulfill their function. The inadequate capacity of local governments that assume the responsibility for the maintenance and management of these assets also adds to the problems. Due to the lack of adequate information systems, moreover, there is no complete list of what assets have been transferred and when, or what has been the precise effect of these transfers.
- (g) **People are threatened by the restructuring environment.** In all four coal regions, perceived vulnerability to unemployment is high. According to the survey, nearly a third of the respondents interviewed expect to lose their jobs within a year.
- (h) **Notwithstanding their perceived vulnerability, many support coal sector restructuring.** Miners in all four regions and other stakeholders generally agree that loss making enterprises need to be restructured to build a strong coal sector in the future.
- (i) **Cash compensation, the continuation of social benefits and employment are the most salient expectations of households directly or indirectly affected by the coal sector restructuring.** The need for alternative employment is clearly articulated during informal discussions, especially in settlements which lack a diverse economic base and potential for the development of the informal sector. Not only miners and other families but also representatives of Duma, the Ministry of Economy and Ministry of Labor as well as the scientific community, all stress the need to demonstrate innovative approaches that would help generate alternative employment opportunities in coal basins. According to the survey results, there are high expectations for government support to mitigate the adverse impacts of the restructuring process.
- (j) **Demand for publicly provided relocation housing is specific to Vorkuta.** In Vorkuta, all citizens, miners and non-miners regardless of their age, gender, income, or other socio-economic characteristics expect to receive a free relocation home elsewhere in Russia. This is due in part to past practices which enabled coal workers to move at their own expense and initiative with the mining associations providing support for travel expenses to the residents of Northern regions. The propensity for Vorkuta

families to move and expectations of receiving state support for such a move has also been fueled by a number of organizations, and several Presidential decrees announcing free relocation housing privileges for Vorkuta. Elsewhere in the coal basins surveyed, there is no similar demand for relocation.

- (k) **Younger skilled workers and professionals frequently leave their homes voluntarily and find employment at their own initiative without any retraining.** Case studies of mine closures and community visits in the four coal regions attest to relatively high job mobility of skilled and professional workers. The tendency to seek support from governmental organizations, particularly the Federal Employment Service, is low. According to the survey, when asked about the type of support they would need if their jobs are affected, few expressed demand for employment assistance and/or training/retraining.
- (l) **Coal mining communities have little trust in the system.** Low trust in the system is widespread throughout coal regions; indeed, this appears to be the situation throughout the country. According to the survey, about one-fifth of the households of these communities would not trust any organization to distribute money or other forms of assistance. Only five percent would trust Rosugol, less than three percent would trust the regional coal companies, and three percent would trust the regional government. Less than eight percent would trust trade unions and less than two percent would trust an employment service. In contrast, 38 percent of households in Vorkuta and 22 percent in Kiselovsk would trust a multi-stakeholder commission such as the Inter Agency Coal Commission.

x. The findings of the SA are not representative of all coal regions.⁵ They indicate, however, that there are diverse populations affected by coal sector restructuring, and consequently, marked differences in how people living in various geographic locations perceive and are affected by the restructuring process. And these differences are confirmed by 1995 census data and other recent information provided to the SA team by the PPU. In light of these data, there clearly is a need for a continuous SA process to monitor the social impacts of coal restructuring and their changes over time.

Key Issues and Recommendations

xi. The actual responses of Russian coal miners and their communities to the adverse impacts of restructuring are not well documented. But they appear to range from active opposition through strikes, to adjustment through job search and other mechanisms, to resignation and withdrawal. Expectations of government responses also range from voluntary relocation with full benefits, to opening new mines and creating new jobs. There seems to be increasing recognition, however, that the financial constraints are too severe and thus realistic expectations should be established in order not to reduce trust in “the system.”

xii. The most important finding is that coal sector restructuring affects sectors other than coal, and adverse social impacts cannot be mitigated by focusing exclusively on miners.⁶ While coal sector institutions (that is,

⁵ Also, SA is one of many inputs to a decision making process on the issues addressed.

⁶ The transition to the market economy appears to be causing unemployment and hardship throughout Russia. The SA was not designed to establish whether such hardship is higher or lower in coal basins, and thus, does not call for a “special treatment” of coal

national and regional coal associations) can help to ensure that miners receive fair compensation under the law, the main responsibility for designing an effective restructuring program falls on the national government, through its many ministries and agencies which should establish policies and institutional mechanisms to help the general population. Indeed, location-specific action will be needed to realize such reforms. These mechanisms, therefore, clearly cannot emerge from coal sector institutions alone. Given the current level of knowledge, there are several key areas where government action might increase the social sustainability of the coal sector restructuring program⁷:

- (a) Reducing uncertainty among miners and their families by establishing and adhering to a schedule of which mines will be closed and where employment will be reduced in the near term.
- (b) Clarifying the legal framework and establishing what could be more equitable policies (for example, allowing the transfer of coal pensions with higher coefficients to other regions and providing flexibility in the residential registration system for those leaving coal regions).
- (c) Accelerating the coal sector reform program by special focus on the following action areas:
 - Local governments need to continue social programs and services. SA shows high demand for the social services that were once provided by the coal associations. A substantial portion of these services and relevant assets already have been transferred to local governments. With no further support from the mines in the provision of such services, many households are adversely affected even when their members have not lost their jobs. Therefore, strengthening the institutional capacity of local governments to prepare and implement social mitigation programs covering both miners and non-miners is important. This can be done by allocating a substantial portion of the remaining subsidies to the sector to support the management of transferred social assets; ensuring that budgetary arrangements are in place; so that support to the communities is not diverted at the regional level or assigned to lower priority objectives at the local level.
 - Government payment of severance in a timely manner is a high priority that would enhance workers' ability to move freely in search of alternative opportunities. Case studies on mine closures indicate mixed experience in workers' ability to receive full severance payments under the labor Law and only partial compensation as per tariff agreements. Because workers feel that full and timely payments are important, a substantial portion of the subsidies remaining in the sector should be specifically allocated to social protection expenditures and disability compensation. Given high levels of uncertainty and low trust in the system as documented by the SA, promises for additional compensation should only be made when financially and economically feasible.⁸

areas. Nor does it call for exclusive new benefits directed to vulnerable groups.

⁷ The World Bank already supports or is preparing projects that deal with community infrastructure development, enterprise housing divestiture, employment services and social protection but are not focused on mining communities. Lessons emerging from these projects should be taken into account for the government's restructuring program and for any pilot programs that the Bank might support.

⁸ Clearly a financial framework is necessary and people's priorities need to be better understood with respect to alternative cushioning mechanisms such as support to social programs. The next phase of SA aims at a better understanding of these priorities.

- The government should only consider financial support to voluntary relocation programs when there are environmental hazards associated with mining operations or a mine closing and the affected households require relocation to a physically safer location. Field visits undertaken during the course of the SA pointed to housing made unsafe as a result of mining operations. This suggests the need to provide relocation services (defined as government provided free housing) for physical safety purposes to be extended to affected households whether or not their members have lost their jobs in the case of closures or significant downsizing.
- The government should consider establishing positive policies to enhance labor mobility and eliminate those that retard it. The SA revealed that there are numerous policies and practices that hinder the ability of workers to move out of the coal basins in their search for employment. Such policies and practices also make it difficult for the retired populations to move to other regions of the country.

xiii. In supporting the Government's coal sector restructuring program, the World Bank can make a contribution by:

Supporting the development of community specific responses. The bulk of coal production and coal sector employment is in 18 regions, four of which make up for more than 90 percent of total coal output and 70 percent of employment (1992 figures). For that reason, efforts should be focused on these four regions to ensure maximum impact. Within each region, however, there is substantial variability among the communities on the extent to which they rely exclusively or primarily on coal production for their livelihood. Those with heavier reliance should receive greater support.

Assisting in the development of community social infrastructure maintenance programs that would benefit all members of the community, including vulnerable groups, and that create employment opportunities for some. SA also showed high demand for support in the maintenance and management of housing and community infrastructure. Maintaining housing and infrastructure would not only help improve living conditions, but would generate a certain level of employment for miners and non-miners alike. While the employment effects of these programs are likely to benefit primarily the younger, better trained, and dynamic parts of the labor force, their development effects would be shared by the more vulnerable groups.

Helping create employment opportunities through community-based innovative development initiatives such as micro-enterprise development. According to the SA findings, a segment of the coal communities is somewhat skeptical of private initiatives based on what they perceive to be the motivations of private sector operators. Nonetheless, there is large support for and interest in micro-enterprises. Many workers feel that they can be engaged by such enterprises and that they would be willing to receive training to acquire the skills needed by these enterprises. This type of community-oriented development effort would provide opportunities for both miners and non-miners and thus provide social protection for the communities. Further, supporting such programs would help civil society development in coal basins

and strengthen community-based organizations (CBOs) and NGOs.⁹

Supporting Regional Inter-Agency Commissions and a network of local governments to facilitate participatory priority setting in the regional distribution of benefits. One of the important findings of the SA related to demand for local multi-stakeholder structures to administer subsidies and severance packages associated with the coal sector restructuring. In defining community-specific actions, it may be useful to promote the development of a participatory structure that brings together the views of key elements of the local communities. In this relation, supporting regional branches of the Inter-Agency Coal Commission and mechanisms such as the recently established (February 1996) Network of Mayors of Mining Cities is important.

Helping set up an independent social impact monitoring mechanism. Given the emphasis on “putting people first” and the findings of the SA, the information gaps relating to the social impacts of transferring social assets from enterprises to local governments, the low trust communities covered by the SA have for the “system,” and the need for greater transparency in the implementation of the restructuring program, all point to the usefulness of establishing a continuous SA process.

Assisting in the development of a participatory framework for the coal restructuring process. Such a framework should take into consideration some of the conflicts among stakeholders and empower affected populations with sufficient information concerning their rights and entitlements. This framework also should be designed to ensure transparency in reform implementation so that all stakeholders can make appropriate changes in their responses to reform. The restructuring program should:

- provide timely and adequate information;
- involve local level stakeholders;
- ensure that those typically “voiceless” are empowered and have a clear understanding of their entitlements and prospects for re-adjustment; and
- clarify stakeholder responsibilities to facilitate worker and community access programs supported by the restructuring program.

⁹ However, there is need to base decisions on micro-enterprises on an analysis of economic feasibility. These enterprises should be viable for the regions proposed and not be established merely for purposes of social assistance.

CHAPTER 1: INTRODUCTION AND BACKGROUND

1. Russia's transition from central planning to a market economy has increased opportunities for many of its workers. In the coal sector, however, where restructuring will mean rising unemployment and falling real incomes, economic reform has exacerbated the already difficult lives of many coal industry employees, their families, and communities. Consequently, the coal sector, now one of the country's most heavily subsidized industries, is the focus of intense attention as the closing of unproductive mines will affect the lives of over 800,000 people indirectly and some 250,000 miners and their families directly. In considering support to Russia's restructuring of the coal sector, the World Bank hopes to encourage a process that (a) reduces hardships to affected workers and communities and (b) ensures the establishment of an appropriate social safety net.

2. The purpose of this report is to present the findings of a social assessment (SA) designed to help the government and the World Bank prepare a program of assistance that responds to the concerns, reactions, and expectations of miners, their families, and communities affected by restructuring. Chapter 1 presents an overview of the coal mining situation in Russia, covering the status of the coal industry, the social effects of coal industry restructuring, and the varied stakeholders affected by this process. Subsequent chapters discuss the objectives and activities of the SA (chapter 2); and the key findings and implications of the SA (chapter 3).

Coal Industry: Background

3. Russia has some of the world's largest coal reserves, and one of the world's largest coal production industry. Currently, this industry employs about 800,000 people working at about 260 mines and associated coal processing and related auxiliary and servicing enterprises. As in the case of other industrial countries, which have experienced painful periods of change in their coal sectors during the last 20 to 30 years, Russia's coal industry is in the process of restructuring. Unlike most other countries which have seen their coal sectors decline drastically, Russia's coal sector will remain large even with restructuring. Throughout Russia, there are approximately 18 coal regions which include over 70 cities and settlements. In addition, there are 28 coal associations under which approximately 261 coal mines (deep and surface) operate. There are vast differences among large and small cities and settlements, northern and southern coal regions, and those areas where alternative energy is available.

4. According to the World Bank Sector Report (Restructuring the Coal Industry: Putting People First, 1994), the situation in Russia's coal sector is very serious. During the past several years, demand for coal has been falling and inefficiency in sector management has remained unchanged. Coal prices have been decontrolled, but subsidies to the coal industry are the second largest in the federal budget after agriculture. The problems of adjusting to changing market conditions are exacerbated by excessive hiring, low productivity, and the generally poor economic conditions in the mines.

5. The scale of adjustment required to obtain an economically viable industry, operating without a large-scale subsidy, cannot feasibly be made through changes in productivity and wages alone. By the year 2000, the demand for coal can be expected to be 50 percent less than the 1990 levels. According to most realistic projections of the demand for coal, there will be a need for major reductions in mining employment over the next 10 to 15 years.

6. Currently, the coal industry receives a large amount of state subsidies, with Rosugol controlling the distribution of these funds to the coal industry. In the administration of these subsidies, however, several problems have emerged. For example, subsidies have been used to build new mines and rehabilitate old mines at a time when funds might be better used to cushion the impact on those who lose their jobs in loss making mines. In addition, workers generally get inadequate, unreliable, and inconsistent information on compensation rights, and compensation payments are irregular. The management structures of almost all local coal associations seem unprepared to deal with the consequences of restructuring. Regional managers or local coal association managers appear unaware of the fragile economic outlook for coal in the medium to long-term and do not appreciate the need to reduce employment if the industry is to provide stable levels of employment in the future. Some state funds have been used for expanding non-coal activities to create replacement jobs for laid-off miners. These jobs, however, have not materialized.

7. An over-riding problem facing coal industry workers is inadequate information.¹⁰ The various actors in the sector, such as the national and regional mining associations, unions, and the media provide inconsistent information. Moreover, there are diverse and complicated legal instruments and tariff agreements as well as diverse practices applied to wage payments, downsizing, closures, and the allocation of benefits. Coal workers, for example, are uncertain about what presidential decrees related to worker rights apply to what area of the country, or what legal mechanisms may be available through which they have any recourse (in fact, we have found no examples of workers who have successfully taken legal action against a coal company). In many cases, workers, who remain in a constant state of discontent because they have not received wages for many months, regularly strike. Even more confusing than information pertaining to individual entitlements are issues concerning social assets. Who will assume their ownership and management is unknown to the people and current practices lead them to believe that many social services will no longer be provided. The nature of coal sector operations also contributes to the growing tension throughout Russia's coal regions, and to the polarization of families living in the coal communities who remain unsure of their future.

8. A key factor that contributes to the lack of or growing inaccuracy of information is the precarious shifting of power in the coal sector. Since the disbandment of the Ministry of Coal in 1992, authority shifted to the Ministry of Fuel and Energy's Coal Department and the Russian Coal Corporation. Since that time, the Ministry of Fuel and Energy appears to have lost much of its influence, which is now centered in Rosugol, the national coal company.

^{10/}In the coal sector, workers' rights and benefits in cases of lay-offs are regulated by more than twenty Federal decrees, resolutions, laws, and orders. In addition, there are two national Tariff Agreements that provide benefits to coal sector workers. A large number of government bodies regulate the legal social safety net for laid-off workers: Supreme Council of the Russian Federation, President of the Russian Federation, Government of the Russian Federation, Ministry of Labor and the Federal Employment Service. Furthermore, Tariff Agreements have been signed between the two unions, the Union of Coal Industry Workers (PRUP) and the Independent Miners' Union (NPG), and the Ministry of Fuel and Energy as well as the Ministry of Labor regulating the coal industry. In addition to the Federal legal acts, regional and local governments have the legal right to pass legislation regulating the social safety net within their jurisdiction.

Key Players and their Interests

9. Although State subsidies to the coal industry provide some of the funding for the social services managed by the coal enterprises, they do not appear to be reaching the people in coal communities who are affected by the declining demand for coal. Further, many of the coal industry's problems are attributed to centralized control over the state's shareholding in the coal industry. As evidenced by household surveys, community-based interviews, and informal discussions with miners, arbitrary mine closures and job reductions may continue if mechanisms of political and social control remain weak and the legal requirements for information disclosure to affected populations are not implemented.

10. A range of stakeholders are affected by the coal industry restructuring process, each having their own special concerns and interests that often conflict with those of the others. The principal stakeholders are:

- **Beneficiaries.** There are no direct and immediate beneficiaries of coal sector restructuring. Russians all over the country who have indirectly paid for large subsidies to inefficiently managed loss-making mines will eventually see their financial burden reduced as the coal sector becomes more self-sustaining. In addition, the employees of efficient mines will benefit from the creation of a smaller, viable, and profitable mining sector. Those in the coal regions, whether mining or not, are likely to be adversely affected when subsidies are reduced, jobs cut and mines closed. Nonetheless, their suffering could be somewhat cushioned and reduced with improved policies and full payment of entitlements under the law. The loss accrued to miners and their communities in terms of rapid deterioration of social services, housing and infrastructure can be partially and gradually compensated through strengthening local governments to take over the management and maintenance of social assets and encouraging new investments in other sectors. The problems people experience in coal basins are largely, but not entirely, based on sector restructuring. The transition to the market economy is taking its toll throughout the country, including coal basins. In the short term, to mitigate all adverse impacts of sector restructuring is, to say the least, difficult. It is hoped, however, that these impacts could be somewhat cushioned with international assistance. This can be achieved through a dialogue on the appropriate targeting of reduced subsidies to meet the needs of affected populations.
- **Affected populations.** This group includes miners and their families as well as communities that rely on mine operations. They inevitably will be the major losers in the short term. Their concerns include compensation for those losing their jobs and continued access to social and community services. While the populations directly affected by coal sector restructuring in other countries often received additional compensation, the spread of the social problems associated with Russia's transition to a market economy makes it difficult to finance special packages only for the coal sector employees with internal resources. Moreover, many coal communities are mixed, to different degrees, in their employment structure. Consequently, even if benefit packages could be expanded, it may be socially problematic to exclude non-miners.
- **Local level stakeholders/new actors.** This group includes local governments as well as other local or regional institutions that will have to take over the management and operation of the social assets of mines as a result of restructuring. Local governments would be overtaxed if they are expected to assume responsibility for managing the enterprise's social assets without having the financial support to perform their newly assigned roles. If this support is available, however, they would have much to gain.

- **Coal sector managers.** These include mine managers and managers of regional and national mining associations. The mine associations seem to be redefining their positions in the sector so as to maintain their control over subsidies and/or restructured enterprises. Because the restructuring program will affect the balance of control in the coal sector, performance expectations will begin to focus on individual mines. From the perspective of regional associations, their ability to maintain the status quo can best be achieved through the transfer of power from the national to regional level; the former, however, has certain reservations regarding the decentralization process. The continued hold of national associations in managing the sector, especially subsidies, poses a challenge in directing subsidies to appropriate objectives.
- **Trade unions.** The trade unions are defining their position to either gain or regain power. The traditional trade union already has lost some power since the establishment of the independent trade union.¹¹ What the future will hold for both unions will largely depend on the extent to which they can represent the workers and their communities, and resist taking sides in the power struggle between national and regional coal associations.
- **Regulators/policy makers** - This group includes the Inter-Branch Coal Committee, policy makers (Duma), Ministry of Economy, Ministry of Fuel and Energy, Ministry of Finance, Ministry of Labor, and the Federal Employment Service. The Inter-Agency Coal Commission has made the coal sector restructuring process more participatory and can substantially enhance its visibility and positive role in the system.
- **Non-Governmental Organizations (NGOs)** - While limited in numbers and regional scope, NGOs are important and receiving increasing government attention and support.¹² The NGO sector has emerged throughout the country largely as a response to the growing unmet social assistance needs of the disadvantaged. It also has been observed that the presence of foreign, particularly NGO, activity has given rise to a growth in Russian NGO interest. A lack of NGO history, financing and trained NGO personnel in Russia have been addressed by many successful foreign NGOs, some of which have addressed Russia's coal regions. While some of the foreign NGO activity, for the most part coupled with Russian counterparts, had operated successfully in other countries, numerous NGO activities are unique to either Russia or the Former Soviet Union. Some of the NGOs are currently receiving government subsidies in the form of staff salaries, office space, and tax relief. NGOs working with the disabled have tended to form around specific disability concerns or the need to raise awareness among policy makers of the problems this group encounters. Women's groups also have been active; the Federal Employment Service has been cooperating with, and contracting out service delivery to,

¹¹ Before 1993, shortly after independence, the Independent Miners' Union (NPG) moved into the coal sector as an active independent union representing only the coal workers. The competition presented by NPG has let the Union of Coal Industry Workers (PRUP) to take a somewhat new stand and the situation changed since 1993. PRUP has increased its influence on the coal sector workers through a series of successful strikes and other national actions. During the same time period, NPG's role gradually diminished as a major player in the coal sector. Currently, more than 90 percent of the coal sector workers are members of Rosugleprof (former PRUP).

¹² Recently, the Fund for Social Guarantees, working with the Veterans of the North and Disabled Miners Fund have received Inter-Agency Coal Commission support for a five year proposal to relocate a group of particularly vulnerable mine workers.

women's NGOs. Other NGOs in coal sectors operate in areas as diverse as small business associations, sports associations, pensioners' groups, veterans' groups, chamber of commerce, environmental groups, and health and safety structures.¹³ Yet non-governmental activity faces serious constraints such as difficult economic conditions, a restrictive regulatory environment, and the taxable status of income generating activities.

- **Constituency for Reform** - This group includes public interest groups and some of the media. Given the visibility of the coal sector, the views of the media and the general public are extremely important for developing a constituency for economic reform in the country. Similarly, the management of the coal sector reform is one of the issues influencing the balance of politics in Russia.

Social Impacts of Coal Industry Restructuring

11. Coal settlements in Russia have diverse characteristics with respect to their demographic structure, income levels, and labor force. Consequently, the effects of coal restructuring and the means by which each community will respond to them are not uniform. Notwithstanding the community-specific effects, the three principal negative social impacts of coal sector restructuring appear to be:

- (a) **Loss of employment.** Unemployment can arise in three ways: (i) loss of jobs at closing mines; (ii) downsizing of employment at mines that continue their operations; and (iii) reduction of employment in enterprises that support mining operations (for example, equipment manufacturing) and in services that support mine settlements (for example, medical facilities and kindergartens). Mine restructuring through closure or downsizing, therefore, not only causes unemployment directly related to the sector, but results in the reduction of overall job opportunities.
- (b) **Inadequate compensation.** Miners are uncertain of their entitlements; and there are significant differences between entitlements and what miners actually receive. Severance benefits under the existing system are restricted to three months of wages. If unemployment extends beyond three months, laid-off workers are entitled to additional compensation equivalent to a portion of their base salary. Further, the rules and regulations concerning the term or duration of employment and the size of actual severance packages are unclear. In addition, those who are least likely to be re-employed (that is, older workers near retirement age) appear to have little protection. And while some regulations theoretically allow workers to receive compensation and pension payments with the regional coefficient, therefore allowing increases above the base salary for residents of harsh climatic zones, entitlements usually are nullified by the ceilings imposed on them by the entities administering them. And while the severance package agreements signed between individual mines and unions have been quite generous, they often have not been observed during closures. Additional complications arise from the lack of information on entitlements and the confusion surrounding the multiplicity of legal instruments introduced.
- (c) **Deterioration of social services.** Traditionally, mine associations have provided a range of services to

¹³ In addition to these, a number of NGOs have also emerged in the coal communities of Komi Republic, Rostov, Kuzbass, Tula, Chelyabinsk, and Far East. These organizations cover a large variety of activities ranging from private sector involvement in Russia to social issues; they are funded either through the state or through foreign partnerships.

miners and the settlements that support individual mines (for example, housing, education, health care, transport, energy). In addition, miners, even when they are pensioners or disabled, have obtained a variety of goods such as coal for heating and cooking which have tended to be better than the average for the population as a whole. It is estimated that by January 1996, the initial stock of social assets remaining attached to Rosugol declined by about 70 percent, while in Kuzbass this decline amounted to 80 percent. Among these assets which are still with Rosugol, non-core social facilities comprise a large share, while housing is either divested or to be completely divested in 1996. The overall housing subsidies available during the last three years are not considered sufficient for keeping the stock in proper shape.¹⁴ In some smaller coal towns, the municipalities became responsible for the housing stock which was 30 times larger than what they used to manage in the past.¹⁵ The transfer of services such as housing, health, and education to financially pressed local governments has meant either that these services were no longer available or that the quality of the service deteriorated.¹⁶ According to the chairman of the trade union in the Shevyakova mine (Kuzbass), monthly social service payments to miners declined from 300,000 rubles to 60,000 rubles per child after they were transferred to local administrations. Miners, who have three to four months of backpay, could not afford to make payments for such services. While this problem is not unique to the coal basins, it affects residents at a time when their ability to cope with the inadequacy of these services is particularly limited due to large-scale disguised unemployment in both coal and non-coal sectors as well as an insufficiently diversified economic base that cannot offer alternative employment.

12. Any restructuring involves significant social costs. In Russia, however, coal restructuring has had particularly adverse impacts because (a) workers often have not received the advance notice required by Russian labor legislation; (b) the coal labor unions have failed to defend effectively the interests of the workers affected by mine closures; (c) social services transferred from coal companies to municipalities have been allowed to deteriorate; (d) non-miners are inadequately protected from the impact of mine closures by the existing social safety net; (e) present institutional arrangements do not ensure an equitable allocation or reliable distribution of subsidies; (f) coal company management is diverting coal subsidies from wages and

¹⁴ The national program of social assets transfer is a long process and involves many players. For example, when the mine or mining associations agree with the local municipality or city, the transfer application is forwarded to the Oblast administration where the requests are consolidated with other applicants. The oblast conducts individual negotiations with each ministry and agency that finance social assets operations. Such negotiations may include an exchange of liabilities in order for the oblast to talk over the financing of the social sphere. Oblast demands vary from case to case. For example, for the coal industry Rosugol is committed to financing several projects such as water purification system installations and the building of a new hospital wing in Rostov (financed from investment subsidies). In addition, commitment of reconstruction of old housing is always demanded by the oblast administration prior to the social assets transfer.

¹⁵ According to the findings of a bank mission undertaken in April 1996 to various coal regions, housing and utility costs were the largest burden, amounting to 58 percent of the social spending, while kindergartens were 27 percent and entertainment facilities 11 percent of the total. With respect to housing costs, those associated with providing heat and hot water amounted to 60 percent; the rest is spent on maintenance and capital repair. Since 1993, the Russian Government initiated the general program of social assets divestiture from enterprises to municipalities. Until late 1995, however, the coal enterprises did not divest a significant amount of their social assets. In the last months of 1995, a substantial portion of the entire stock was transferred.

¹⁶ In household visits undertaken in Vorkuta, a miner and four of his neighbors explained that they have been living in their flat since 1958 and nobody ever came to do repair work. The wooden structure was covered with plastic to protect the residents from the cold, and the roof had collapsed.

other social obligations to operating losses and investment; (g) coal subsidies could have been used to provide better social protection for those who have lost their jobs; (h) miners are ill-informed about their rights and about the restructuring program, and have little trust in the present system, particularly for allocating and distributing subsidies.

13. The response of the Russian coal miners and their communities to the adverse impact of restructuring is not well documented. Elsewhere in the world, responses at the individual and community level have been diverse (box 1). In Russia, too, the responses appear to range from active opposition through strikes, to adjustment through new job search and other mechanisms, to resignation or withdrawal. Expectations from the government also range from relocation with full benefits to new mines and new jobs. It is increasingly recognized, however, that financial constraints are too severe to even allow benefits packages to be defined and delivered.

14. Given the current level of knowledge, there are several key issues whose resolution will increase the social sustainability of the coal sector restructuring program: (a) reducing uncertainty among miners and their families by establishing a schedule that identifies which mines will be closed and where employment will be reduced over the near term and adhering to it; (b) clarifying the legal framework and establishing more equitable policies (for example, allowing the transfer of coal pensions with higher "coefficients" to other regions and providing flexibility in the residential registration system for those leaving coal regions); (c) strengthening the institutional capacity of local governments to prepare and implement

BOX 1: PSYCHOLOGICAL REACTIONS TO MINE CLOSURES - GLOBAL EXPERIENCE

The international literature addressing the individual's reaction to mine closures identifies three basic patterns of behavior:

- (a) The individual remains passive. This absence of reaction can continue for an indefinite period of time during which he/she does not lower aspirations to make ends meet, but will be forced to adjust when money becomes completely unavailable.
- (b) The individual becomes active in an adequate way. This involves the development of income creation strategies such as working longer hours, switching jobs, using assets such as garden plots, more effectively, taking on debts, and generally changing consumption patterns to reduce spending.
- (c) The individual becomes active in an inadequate way. In this instance, the individual's needs and expectations are transformed and must be met with the acceptance of a lower degree of satisfaction. Transformation of needs in this manner may lead to negative effects such as alcohol abuse or stress-related health problems.

In addition to these patterns, individual reactions to mine closures include behavior such as denial, out-migration and self-employment. Often, displaced workers exhibit a high level of alienation and distrust of groups and institutions that comprise the social fabric in the community and the nation as a whole. While expressions of alienation are not necessarily influenced by workers' age or gender, beliefs in future employment opportunities appear to be more pessimistic for older workers and women.

Relatively little research has been undertaken on the family's position on mine closures; employment as such often is discussed on individual's terms. A decline in family cohesion and an increase in tension are frequent. Studies also show that nearly one third of the respondents' relationships with their spouse had worsened due to economic hardship after mine closures.

social mitigation programs, covering both miners and non-miners; (d) directing reduced subsidies to the extent possible to cushion the impact of the coal restructuring program and to ensure that equitable treatment is given to adversely affected populations engaged in non-mining sectors; (e) increasing the participatory structure of coal basin local governments to ensure transparency and accountability in the regional and community specific distribution of government support; and (f) establishing a permanent SA program to expand knowledge of the situation, especially with respect to access to social services, to provide for stakeholder involvement and feedback, and monitor and evaluate the effectiveness of social impact mitigation efforts.

World Bank Involvement

15. Since mid-1993, the World Bank has been working with Russia's coal industry. By late 1993, the Bank had published a draft sector report, "Restructuring the Coal Industry: Putting People First." The draft aimed to share global experience with coal sector managers and policy makers in Russia. It attempted to show the relevance of international experience for Russia and demonstrated the importance of "putting people first" instead of allowing inevitable economic hardships and bankruptcies to affect miners and their communities in an ad hoc manner. It argued that employment reduction and mine closures should be carried out only when there is an appropriate social safety net in place and funded. The report also suggested that the appropriateness of a social safety net should be determined at the local level, and therefore the government's restructuring strategy should include decentralization. Appropriate policies to promote labor mobility also were shown to be important.

16. The report noted that in 1993 only five percent of the coal industry subsidies were used for social services, and based on international experience, drew attention to several key elements of the social safety net: (a) provision to coal miners of the existing system of social security and unemployment benefits available throughout Russia; (b) continuation of social services in mining communities and special financing in areas of mine closures or severe down sizing; (c) continuation of coal industry pensions; (d) consideration of a new and temporary system of lump-sum payments to encourage voluntary departures; and (e) a new and temporary system of special employment programs in affected mining regions.

17. The report was discussed with major sector stakeholders. As a result of these discussions, the focus of the report shifted from the coal industry as a whole to a more detailed analysis of the impact of restructuring in the country's main coal basins. Between October 1993 and April 1994, the first set of supporting annexes was prepared and supplemented by a series of studies. In May 1994, a 17-person delegation from the Inter-Agency Commission visited Washington to discuss the more detailed findings presented in the annexes. In August 1994, the Bank presented the second version of the main Report and the annexes to the government as discussion drafts. The Government then convened a meeting of the Inter-Agency Coal Commission in September to review the report. As part of the preparation for the September 23 review meeting, which included the participation of World Bank representatives, approximately 25 agencies submitted written comments. A number of the Russian stakeholders' comments suggest agreement with its findings but considered the pace of adjustment too fast.

18. Following the publication of the World Bank's report, the Russian Government produced a coal sector reform program in mid-1995 entitled "Basic Trends" which adopted some of the report's key recommendations, especially those relating to the need to reduce the aggregate level of subsidies, and

requested a US\$500 million loan to support its implementation. In responding to the Government's request for assistance in implementing a coal sector reform program, the World Bank is considering providing support through two operations, first the Coal Sector Adjustment Loan (SECAL), and second, the Coal Sector Implementation Assistance Project. The objectives are to: (a) reduce the impact of the coal sector on the federal budget by supporting the reduction, and eventual elimination, of subsidies; (b) promote the long-term sustainability of the coal sector through establishment of a competitive, commercial industry; (c) support a restructuring program to reduce the size of the industry to increase efficiency; and (d) cushion the impact of the restructuring on coal miners, their families and affected communities by reordering priorities in government support to focus on maintenance of social assets and creation of new jobs at local level.

19. Following the 1994 sector study, one of the Bank's first activities in preparing a support program was to conduct a social assessment (SA) to find out how the people in affected coal communities would like to see the coal restructuring continue, and to provide important input on the attitudes of a wide range of stakeholders. A Project Preparation Unit (PPU) was created by the Russian government in the Ministry of Economy with substantial bilateral funding. The PPU is largely staffed by Russians and is using primarily Russian consultants in preparing the loan. The PPU has been instrumental in expanding communication to all stakeholders and is implementing the participation recommendations of the SA.

2. Social Assessment: Objectives and Methodology

20. An SA is the systematic investigation of the social processes and factors that affect development impacts and results. It supports participation and is a tool for incorporating social analysis into World Bank-assisted investments and analytical work. SAs are carried out primarily to: (a) identify key stakeholders and establish an appropriate framework for their participation in project selection, design, and implementation; (b) ensure that project objectives and incentives for change are acceptable to the range of beneficiaries; (c) assess the social impact of investment projects; and (d) develop the capacity at the appropriate level to facilitate participation, resolve conflicts, permit service delivery, and carry out social mitigation measures. An SA is but one input into the process by which a World Bank project is prepared. It reports what people experience and feel and draws conclusions from these as a basis of a dialogue with clients. Further, an SA should be viewed as a process because continual assessment and monitoring are needed during project preparation and implementation to learn more about key issues and to ensure that the project's intended benefits reach the people. This chapter describes the specific objectives of the Russia Coal SA, the means by which it has been carried out to date, and the two mining towns where the household surveys were undertaken.

Objectives and Methodology

21. The main objectives of the Russia Coal SA are to: (a) identify key stakeholders and establish an appropriate framework for their participation in the restructuring; (b) assess the socioeconomic characteristics of households in mine basins; (c) determine how miners and employees of other sectors are affected by coal sector restructuring, as well as understand the labor market and workers' expectations with respect to social protection and compensation; (d) characterize attitudes toward government sponsored relocation programs which promise free housing to residents of Northern regions affected by the coal sector restructuring; (e) assess the level of trust toward various social institutions; and (f) determine how people affected by mine closures would like to see the restructuring proceed. The SA also is intended to help identify steps necessary to mitigate the negative social effects of the coal restructuring program.

22. Methodology. To achieve its objectives, the SA involved consultations with a broad range of stakeholders focusing primarily on miners, their families, and mining communities. In particular, the SA team carried out several thousand formal and informal interviews and group discussions in four of the major coal basins; Vorkuta, Tula, Rostov, and Kemerovo. The team also carried out a survey of 800 households in Komi Republic-Vorkuta and Kemerovo-Kiselovsk, and prepared case studies based on several hundred interviews in each of four towns: Halmer-Yu, Promyshlennaya, Cherkasovskaya, and Dimitrova. Several hundred informal interviews in coal communities in Tula and Rostov also were undertaken. In addition, a team of Bank staff and consultants working on the social safety net issues have held consultations with local stakeholder groups. In all of the communities visited, the SA team consulted local trade union members, coal associations, local government representatives and, where present, NGOs. This report incorporates their observations as well as information received between October 1995 and May 1996 by the Project Preparation Unit (PPU) in the Ministry of Economy from a broad range of stakeholders and secondary data sources. In addition, a first draft of the SA report, which was prepared in March 1996, has been discussed with the staff of the Ministry of Economy and the Ministry of Labor, key stakeholder groups including members of Duma, and executive officers of trade unions. The SA team also held systematic consultations with the academic community and two NGOs focusing on vulnerable groups within the coal sector (the Fund for Social

Guarantees and the Veterans of North). Specifically, the assessment involved:

- (a) **Household Survey.** A local team of social scientists conducted a comprehensive survey of 800 households that will be directly or indirectly affected by the restructuring of the coal industry (see annex 1 on sampling). Coal settlements in Vorkuta and Kiselovsk as well as populations of the two "coal cities" were included. *This sample, however, is not representative of miners and mining communities throughout the country.* Rather, it includes populations of two sub-regions that are already in the process of down-sizing and closing mines. Notwithstanding the differences in the socioeconomic conditions of these sub-regions, the trends observed in them are important and call for an immediate launching of a more comprehensive SA process.
- (b) **Community Visits/Group Discussions.** World Bank staff visited a large number of communities and held extensive discussions with community members, often in small groups of five to seven persons. In addition, the Russian social science team that led the SA also has been working during the past five years with large numbers of communities. Local branches of the Institute of Comparative Labor Relations which are located in the coal basins, particularly Kemerovo, also provide daily research support to the unions.
- (c) **Case Studies.** As part of the assessment, the team of social scientists explored lessons learned from three mine closures in Vorkuta which were then compared systematically to the experiences of five mine closures in Kiselovsk. In the course of case study preparation, several hundred interviews were conducted with workers, unions, and mine and city managers. The SA team also conducted less systematic case studies in Tula and Rostov.
- (d) **Assessment of Voluntary Relocation.** In addition to the above, the SA team initiated consultations with experts, held community discussions, reviewed proposals developed by various institutions, and conducted selected interviews with residents of coal communities to assess the nature of mine closures and the issue of voluntary relocation.

23. The SA methodology involved a combination of quantitative and qualitative methods. This approach allowed the researchers to uncover phenomena that influence people's behavior in the present social and economic climate but cannot be measured by statistical methods alone.

24. In May 1996, a number of additional topical SAs have been launched which focus on four regions: Kuzbass, Rostov, Vorkuta, and Tula.¹⁷ The objectives of these SAs which will be available by September 1996, are to:

- Broaden the regional coverage of the systematic SA activities undertaken up to March 1996.
- Deepen understanding of several key issues including: (a) information and communication patterns of miners and communities; (b) access/utilization of social assets/services; (c) interactions with local and federal institutions; (d) household assets (acquisition and loss of, changes in composition); (e) coping

¹⁷ These regions account for the majority of employment and production in the coal sector.

strategies; (f) changes in levels and sources of income; and (g) attitudes on reform.

- Define the role of coal sector activities in a broader socio-economic context at the household, communities/settlement, and regional levels.
- Develop a better understanding of the dynamics of change and patterns of adaptation to transition.

25. The focus of these additional SA activities will be on:

- Expanding the existing systematic SA data base to Rostov and Tula through 800 additional household surveys undertaken in four settlements; two of these settlements will be associated with mines announced for closure starting in 1996, and the other two will be near mines that will experience significant labor force downsizing over the next few years, starting in 1996.
- Understanding the regional context within which coal reform takes place through a focus on two micro regions in Kuzbass and Rostov; defining the role of coal sector operations (including the management of social assets) in the lives of the people in a dynamic context through use of secondary data (for the past 5-10 years) and through focus group discussions in the regions.
- Analyzing patterns of adjustment to reform through longitudinal studies, comparing coal and non-coal employees who have left their jobs voluntarily with those who have been laid-off and focusing on institutional constraints to their adjustment.
- Analyzing changes in family budget, comparing “coal communities” with others by using existing Goskomstat family budget studies and by adding a special target sample to the existing sample base.
- Carrying out thematic studies on patterns of geographical mobility, impacts of restructuring on the disabled, and impacts of lump sum payments on redundant worker families.

Survey Areas

26. The areas surveyed in the SA were: (a) Vorkuta and two surrounding mining towns (Oktyabrski and Sovetski), located in the Arctic Circle, and (b) settlements in Kiselovsk close to two closing mines (Surtaikha and Cherkasovskaya) and in other districts of the city. The sampling procedures used are described in Annex 1. Vorkuta, a gulag, was settled in the mid-1950s as a result of a general organized recruitment of workers from different regions of the former Soviet Union (box 2) . Since then, Vorkuta has experienced a constant migration of people into the region, due to its high wages and the deteriorating economic situation in the rest of the country. Located in Western Siberia, Kiselovsk was developed during the early Soviet period where two villages formerly were located – Cherkasovo and Afonino. In 1936, Kiselovsk was officially declared a city. In contrast to Vorkuta, Kiselovsk has a more stable population, and a substantial portion of its population is of Siberian heritage.

BOX 2: HISTORY OF VORKUTA

"Vorkuta is entering its annual sleepiness which never quite succumbs to a total hibernation. Stemming from a gulag history, stories of which dominate each family's history, a mentality of captivity remains. Approximately 2,500 people now live in Vorkuta who were held as prisoners in the various gulags that dotted the 42 kilometer circle around this northern Arctic city of 250,000. Generally, prisoners were taken to the gulag capitol of Vorkuta to mine coal and live in exile. Both men and women received one to two pounds of bread daily, soup, and, if the individual was a productive worker, barley porridge and a kilogram of sugar per month. Many of the women were part of the forced-labor of the Vorkuta Brick Factory which remains in operation today. Political prisoners were given longer sentences and treated more harshly than were criminal prisoners.

Following the closing of the last gulag in the 1950s, the prisoners were released with passports which prohibited them from ever leaving Vorkuta. In effect, the city became a conglomerate, its gulag subsidiaries had been merged. Prisoners used to work in the deep mines surrounding the 42 kilometers encircling the cold city; many of the current miners are relatives of those prisoners. Due to the state-controlled coefficient payment system, many of the present workers had moved to Vorkuta for the highest pay available (because of the ten-month winter and 115 annual snowstorms) and have simply never left. The sun sets here these days a little after noon. Thirty degrees below zero is considered normal, and thick black clouds of coal exhaust leave the brittle tundra snow gray. We have 12 straight months of winter, everyone here always says repeating an old labor camp adage, but the rest is summer.

Yuri Mikhail Yakolev is one that has not left Vorkuta. Where would I go? he asked. He is unfamiliar with everything, he recently has had to learn how to tie a tie. He is almost 80 years old, but has no friends whom he has known for more than 20 years. Although he says that he cannot imagine life being any different, he knows that, somehow, it is supposed to be different. His passport indicates that he was a political prisoner, and that he is now rehabilitated. He carries it everywhere; all Russians carry their passport and accompanying papers everywhere. Yuri had been sent to the gulag at the age of 15 as an opponent living in the occupied territories. Although he never saw his family again, he heard that his father spent eight years at the Yur-Shor Mine. Following 25 years in the gulag, he was further sentenced to a lifetime in Vorkuta until 1990 when he was rehabilitated."

Source: Anonymous

3. Findings of the SA: Issues and Responses

27. The results of the SA confirm that miners, their families, and mining communities in both Vorkuta and Kiselovsk are not faring well in the current economic environment. Their difficult living conditions, desire to leave their homes, feelings of vulnerability, and lack of trust in the government and other institutions highlight the need to carefully manage the social dimensions of the coal industry restructuring process. The following presents the main findings and key issues emerging from the SA as well as the implications of these findings for the proposed restructuring program. It should be remembered, however, that the SA was limited in its scope and geographic coverage. Consequently, its conclusions may or may not be valid for the coal sector as a whole. Nonetheless, its results strongly point to the need for launching a continuous SA process to guide social safety net interventions and to ensure that all remaining subsidies reach miners and their communities.

Develop Community Specific Responses

28. Coal settlements have different characteristics with respect to their demographic structure, income levels, and labor force.¹⁸ As a result, their response to and expectations from coal sector restructuring are not uniform. Some communities have a well integrated social fabric and their members support one another in coping with the negative social impacts of restructuring. Other communities, such as Vorkuta, are more heterogeneous with many immigrants from other regions of the FSU, and have weaker community support systems. Community specificity, therefore, is important in defining the impacts of sector restructuring and the necessary measures for mitigating these impacts.

29. An important source of settlement variability is the economic base. In "coal cities" and "coal settlements," people employed in the coal sector constitute only one segment of the population, and sometimes account for a small percentage of total employment. Generally, the larger and geographically integrated a settlement is, the greater is the economic mixture. And as each economic sector goes through its process of restructuring and market adjustment, different parts of the labor market will experience negative impacts. How people will be affected by changes in each economic sector, and how they respond to them, will depend on the nature of the transition in the economic base as well as the patterns of social organization that characterize their communities.

30. For example, it is more difficult to cushion the impacts of unemployment, long delays in salary payments, and severe reductions in purchasing power, when both the reliance on a single sector activity and the incidence of single-parent households are high. Similarly, in coal communities such as those surrounding Kiselovsk, where the proportion of households that rely solely on pension payments is large, the effects of restructuring are difficult to mitigate. Pensioners, for example, report that they lose access to many of their entitlements (for example, free medicine) and encounter difficulties in coping with sharp reductions in the purchasing power of their pensions.

¹⁸ As observed during the field visits as part of World Bank mission engaging in pre-appraisal of SECAL and Implementation Assistance Project in March 1996, the economic and employment structure and prospects of the coal regions are varied. For example, some coal localities have some opportunities for economic diversification and adjustment while others, being remote single industry coal towns, have few alternative employment opportunities. Consequently, the approaches used in dealing with coal redundancies will need to respond to the special circumstances of the area. This argues for regional/local based employment adjustment strategies and efforts which must include not only the coal sector but the total economy of the area as well.

31. The following highlights community differences with respect to the economic base, labor market characteristics, and household responses to coal restructuring primarily by comparing Vorkuta and its mining settlements with mining settlements in Kiselovsk. Although little is known about the key features of social organization, and how the social fabric protects individuals against the impacts of transition, the information on demographic structure and the role of social relations in obtaining access to information, jobs, and other resources helps to define social issues and the mechanisms for dealing with them (box 3).

32. Demographic structure. Coal communities differ substantially from each other in almost every aspect of its demographic profile. For example, Vorkuta has a much younger and ethnically heterogeneous population (figure 1) with higher monthly incomes and a more active labor force. Due to higher wage expectations, moreover, many families immigrate to Vorkuta (the number migrating has increased since 1989). This is in contrast to the image of the city as a coal prison, a place where "no one wants to live and everyone wants to escape." Based on field observations, many families who migrated recently express a desire to remain in Vorkuta because the conditions of their former homes are so bad. A few people, moreover, have their "roots" in Vorkuta and are committed to making it a "better place in which to live." The communities in Kiselovsk, on the other hand, are more homogeneous and have roots in the region; most have no intention of leaving their "homes."

33. Dependency ratios are low and family size is small in many mining communities. In Vorkuta, for example, 54 percent of the households are families with children; in Kiselovsk, by contrast, 29 percent are families with children. In both regions, however, a rather high percentage of households are headed by a single

BOX 3 : COPING WITH UNCERTAINTY: RESPONSES TO THE CLOSING OF PROMYSHLENNAYA MINE

During the closure of the Promyshlennaya mine, a range of different responses were observed. There are summarized by the people as follows:

"Get a Job and Get Lost." Some people left when they heard of the imminent mine closing. This group generally included the youngest and most active employees who had not worked at Promyshlennaya long and had not identified with it.

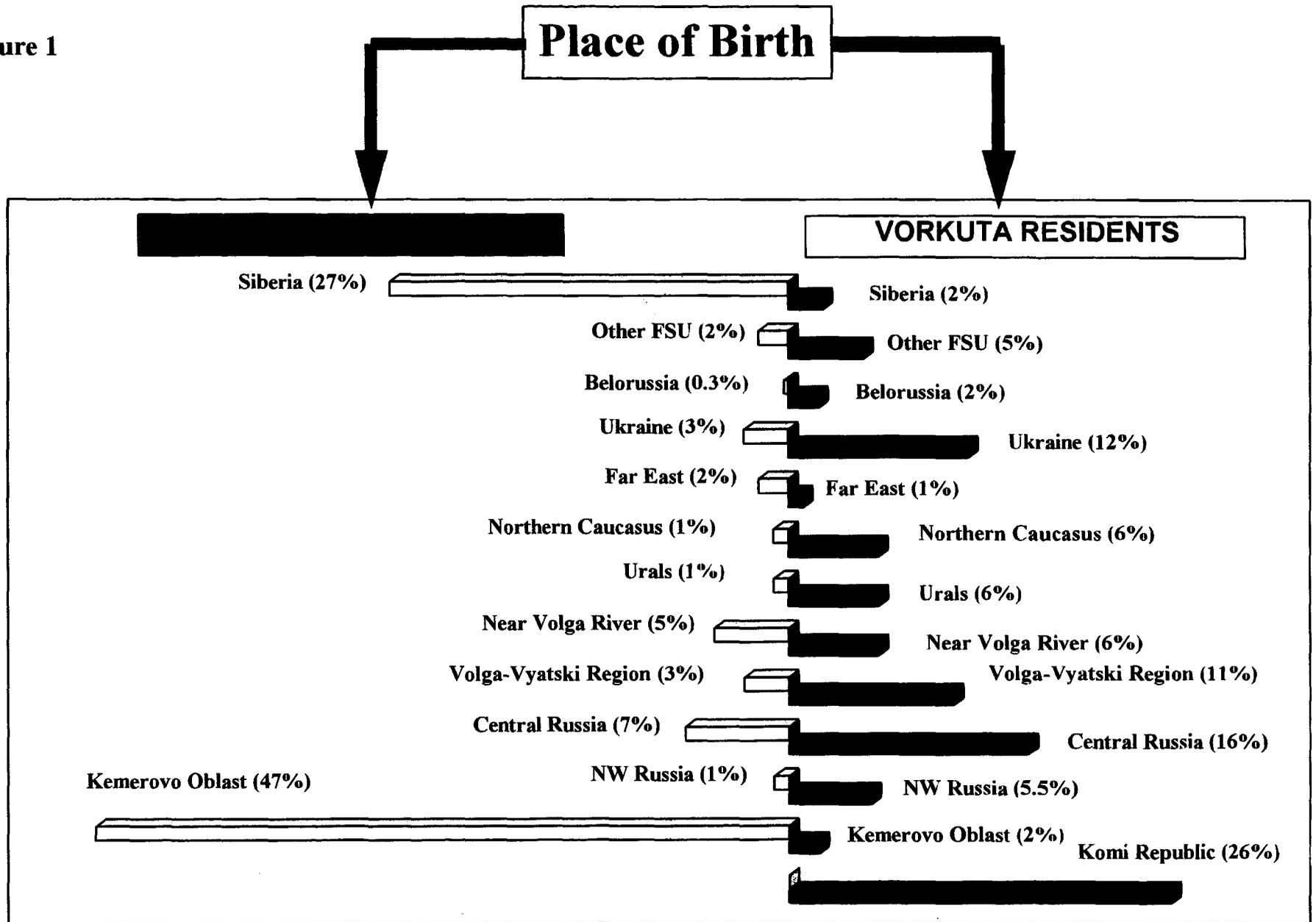
"Seek Restitution." Some workers were laid off before the "imminent mine closing." The miners consider this to be an illegal and voluntary attack on employees' rights by Vorkutaugol. Workers now believe that "anyone can be laid off at any mine - even one that could close in a hundred years." Since an order on the mine closing does not exist and employees' destinies are unclear, they plan to seek court action and sue the administration for production halt and moral damage, and demand compensation.

"Get Protection." Some employees were transferred to other mines. For example, one development section was transferred to the Komsomoiskaya and Yur-Shor mines.

"Take Political Action." Forty-one workers went on strike underground and later, 37 more miners joined them. Yur-Shor mine (the second of four mines to be closed in the area), where many of the Promyshlennaya miners had been transferred, was the first to support the strike. While striking at the Yur-Shor mine, former Promyshlennaya employees defended their benefits. Transferring workers from one closing enterprise to others spread the conflicts and resistance to restructuring.

"Keep Working." Pension age workers actively opposed retirement and transfer to other enterprises. It was easier for them to fight to keep their positions than to change work or retrain. They promised to "fight to the end," seeing no prospects for themselves at other enterprises. Employees who receive payments for disability remained at the mine. They feared that they would lose their payments if the mine closed and demanded restructuring be slowed down.

Figure 1



parent; female-headed households account for a significant percentage of the total in coal towns (figure 2). Indeed, over a third of all households were headed by a single person, with or without children. In Vorkuta, there is an almost equal percentage of female headed households with and without children (13 and 12 percent, respectively). In Kiselovsk, by contrast, about 20 percent of women do not have their children with them; these are elderly women living alone. Regardless of whether they care for their children on their own and are left alone at old age, female-headed households in the communities visited appear to be particularly vulnerable with low incomes and little family support.

Table 1
Monthly Average Household Income per Capita (in US\$)

	Vorkuta Center	Sovetski	Oktyabrski	Kiselovsk
< below \$40	9.0	10.4	15.1	34.2
\$40 - \$60	15.9	15.4	21.6	34.7
\$60 - \$80	22.8	20.1	17.5	20.4
\$80 - \$100	15.8	24.1	12.7	5.0
\$100 - \$150	16.9	18.8	16.8	3.1
more than \$150	20.0	12.1	16.8	2.6
Total number of respondents	101	150	149	383

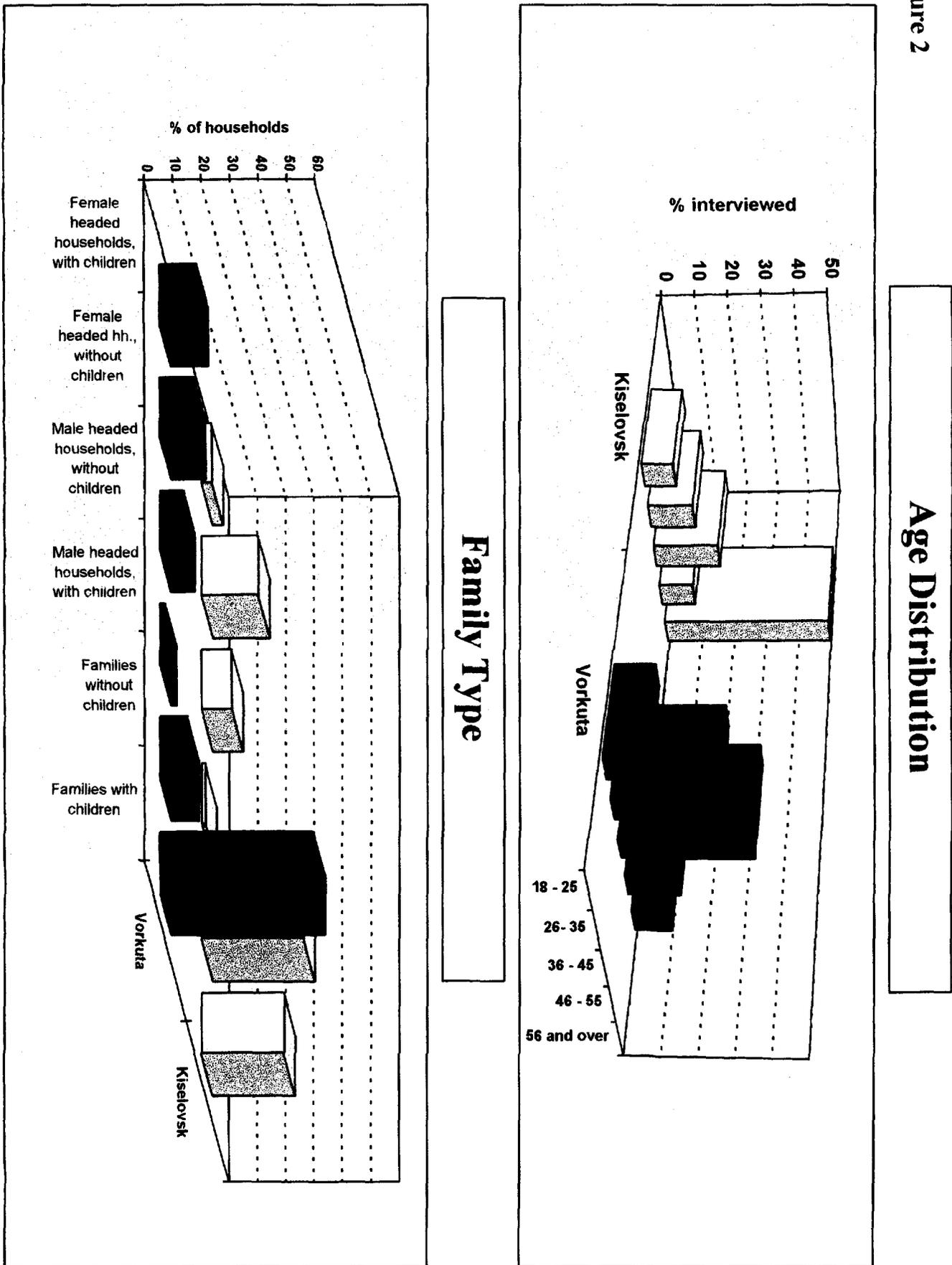
34. **Income.** While coal miners generally have enjoyed higher incomes in comparison to other sector workers, long delays in wage payments and increases in the prices of goods and services previously controlled by the state created general poverty among miners. While there are no recent income data, the results of the SA survey indicate substantial variability in household incomes. With average monthly household incomes of US\$92¹⁹ in Vorkuta and US\$55 in Kiselovsk, households in Kiselovsk are generally poorer than those in Vorkuta.²⁰ The average household income is nearly twice as high in Vorkuta. Prices, however, especially food prices, are said to be also higher, according to its residents²¹ but no reliable cost of living data are available. In

¹⁹The exchange rate used in this calculation is: US\$1 = 4,500 ruble.

²⁰ Most of this difference is attributable to regional wage coefficients. In the Northern regions such as Vorkuta, wages are paid with a multiple of 1.6.

²¹"According to a miner, 'the miners in Vorkuta earn more than the average wage in the rest of Russia, but a loaf of bread costs more than US\$1, a bottle of vodka costs more than twice as much as in Moscow, and a warm mink hat costs US\$300. In other parts of Russia, some poor people have at least a plot of land to grow potatoes, tomatoes, and cabbage. But nothing grows here.' Miners in search of the long ruble used to sock away tens of thousands of rubles in about a decade, saving for their eventual move south, "to Russia," which is how they refer to the rest of the country. Inflation has made a joke of those savings. Ten years ago, one hundred thousand rubles was life's dream. These days, it is worth less than just enough to pay for dinner at one of Vorkuta's two restaurants, which are both bad. A man who has spent 18 years working at the Vargashovska mine said to a journalist 'I came here because it was the one place in Soviet times that would insure my freedom. Now it's one of the few places where there is no freedom at all. I can't afford to leave. And even if I could, where would I get a job? I blame myself. I can't blame a politician. I put my faith in a new ideology. If we have learned anything on this land, you would think it was that no ideology will ever help a common man.'" (New York Times, December 11, 1995, p. A1.)

Figure 2



Kiselovsk, almost 70 percent of the households have monthly per capita incomes of less than US\$60, with 17 percent earning less than US\$30. In Vorkuta, almost half (52 percent) report incomes of over US\$80 per month.

Also in Kiselovsk, respondents 36 years old and above have average monthly incomes that are about 20 percent less than the incomes of younger age groups. In both areas, about two thirds of the randomly selected households had no members working in coal mines as managers, skilled or unskilled workers. When different parts of the regions are compared, the data show that income levels in the mining settlements, where there is a larger proportion of mine workers, are significantly higher than the income level in Vorkuta city (table 1). Not surprisingly, the residents of these settlements also have higher demands for compensation if affected by coal sector restructuring.

Table 2: Labor Structure in Coal Basins

City	Total Pop.	Number of Coal Sector Employees	Coal sector employees among total population (%)	Other significant enterprises/industries in the city
Komi Republic				
Vorkuta	192,600	13,545	7.03	Milk factory, machinery, construction, refrigeration facilities
Inta	65,300	2,681	4.11	Construction, power station, boiler
Rostov Oblast				
Shahti	229,900	22,453	9.77	
Novoshhtinsk	106,800	11,812	11.06	Textile industry, hydro power plant
Sinegorskiy	10,000	2,278	22.78	Agricultural enterprises
Sholohovskiy	13,600	3,010	22.13	Agricultural enterprises
Belaya Kalitva	49,600	4,333	8.74	Agricultural enterprises
Tul'skaya Oblast				
Shekino	79,500	541	0.68	Agricultural enterprises, machinery plant
Uzlovaya	85,300	1,541	1.81	Chemicals
Kimovsk	37,100	251	0.68	Machinery
Donskoyi	73,600	583	0.79	Machinery
Venev	15,500	4055	26.16	
Aleksin	72,100	764	1.06	Agricultural enterprises
Kireevsk	29,400	1,536	5.22	Construction and machinery
Lipki	10,500	3,141	29.91	Agricultural enterprises
Smolenskaya Oblast				
Safonovo	56,100	1,129	2.01	Agricultural enterprises, hydro power station
Tverskaya Oblast				
Nelidovo	30,100	863	2.87	Chemicals, agricultural enterprises, machinery plant
Kemerovskaya Oblast				
Kemerovo	502,500		17.5	Chemicals, agricultural enterprises, machinery plant
Anjoro - Sudgensk	107,500		3.5	Chemicals, machinery, construction, textiles industries
Berezovskiy	57,400		1.8	Chemicals, machinery, textiles, truck depot, forestry
Belovo	170,700		5.6	Coal power station, hydro power station, textiles
Leninsk - Kuznetskiy	161,000		5.40	Textiles, mining equipment maintenance
Kiselevsk	121,900		4.10	Machinery, truck depot, shoe factory
Prokopevsk	253,300		8.40	Textiles, machinery, truck depots
Novokuznetsk	586,000		19.4	poultry incubator, food industry, machinery, furniture factory, forestry, metallurgical plant, construction industry
Osinniki	80,900		3.4	

Sources: (a) Data on "Zapadnaya" mine, January 1, 1996, Vorkutaugol, Tulaugol, Rostovugol, January 7, 1996: According to the results of statistical survey of PPU; (b) "Social and Economic Cost of Coal Restructuring," Kemerovo Administration, Rosugol and Kuzbassinvestugol, 1994; and (c) "Population of the Russian Federation," Statistics Service, Moscow, 1995.

35. **Labor Market characteristics.** Perhaps the most important finding of the SA relates to the fact that a variable portion of the working population in the coal communities is actually employed in the coal sector. According to the 1994 World Bank study "Russian Federation Restructuring the Coal Industry: Putting People First," coal sector employment as a share of total employment is less than 6 percent in most coal regions with the exception of Komi Republic and Kemerovo, where coal sector constitute 10 percent and 18 percent of the total employment, respectively (figure 3). Other enterprises such as a milk factory, refrigerator and mechanical plants, construction materials plants, agricultural enterprises, and chemical as well as textile enterprises are important sources of employment. Moreover, in the last five years it appears that the mines have shed functions. Consequently, those working in social services, who once were categorized as "coal sector" employees, now are considered "government sector." This is confirmed by official data indicating that in Vorkuta, only 7 percent of the total population work in the coal mines²² (including pensioners) (table 2); in other regions, this ratio ranges from less than 1 percent (Shekino in Tulskeya Oblast) to 26 percent (in Vanek). The SA results also confirm this finding: only 6.9 percent of the active population in Vorkuta city is working in mines (excluding Vorkutaugol workers, table 3); 12 percent of the households in the city have people either retired from or currently working in the coal sector (table 4). With respect to settlements that support specific mines, however, nearly half of the households have either a person working in or a pensioner related to the coal industry. In Tula, the communities that support mines are often large (30 to 40 thousand people), and in many major coal settlements, employment in the coal sector accounts for about 8 to 10 percent of total employment. Other industries such as soap, shoe, textiles and manufacturing also contribute substantially to employment. More recently, informal sector jobs and urban agriculture have been introduced to these communities.

Table 3
Employees in Different Sectors (% of respondents)

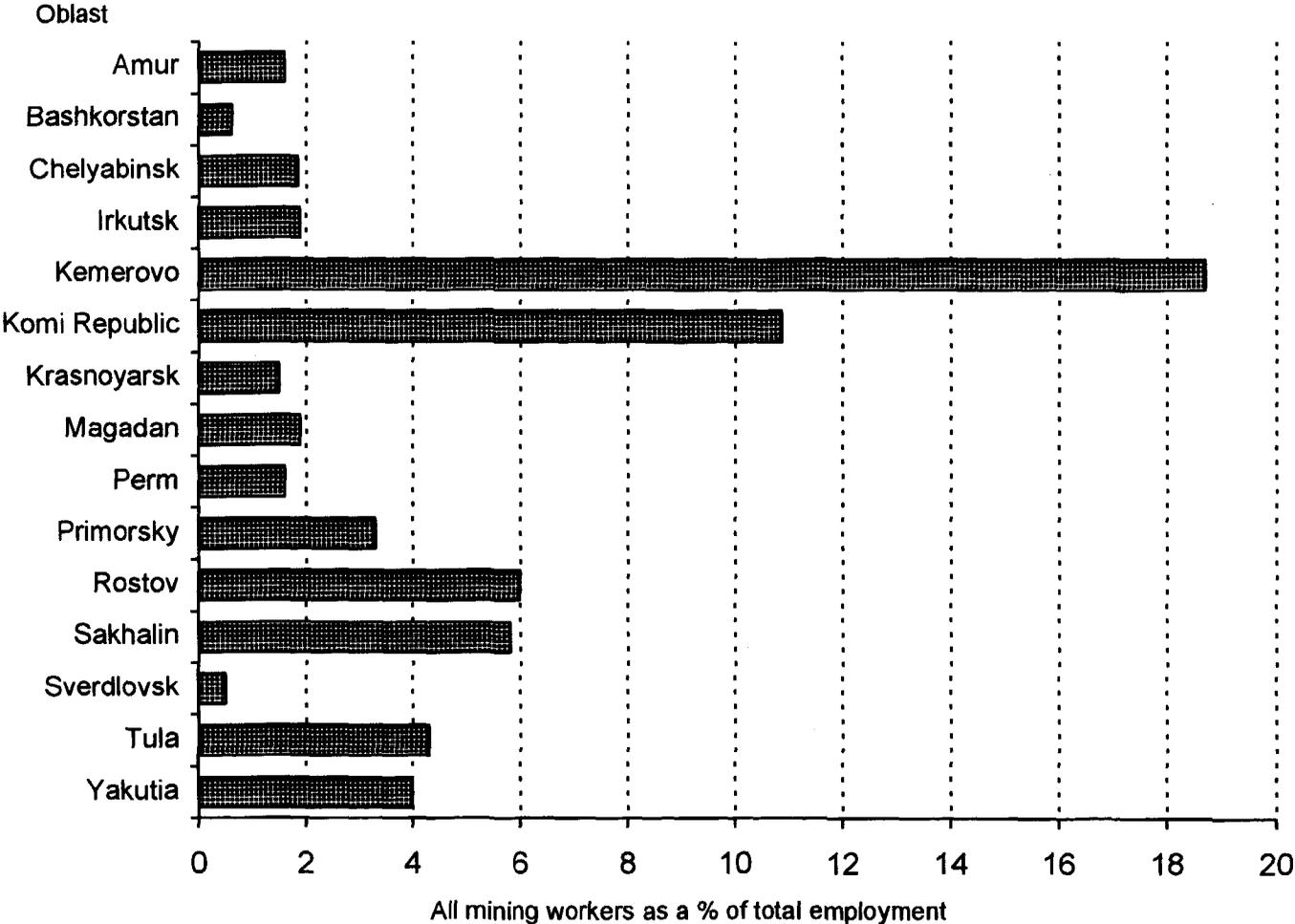
	Vorkuta City	Sovetski	Oktyabrski	Vorkuta Overall	Kislovsk Overall
Active Pop.²³	67.4	80.7	73.2	74.6	43
Mine workers	6.9	28.7	28.9	23.3	16.2
Vorkutaugol	4	6	15.4	9	0
Govt. employees	31.7	26.7	16.8	24.3	11.4
Other sector employees	24.8	19.3	12.1	18	15.4
Non-active population	32.7	19.3	26.8	25.4	57
Pensioners	11.9	6	6.7	7.6	44.3
Unemployed	20.8	13.3	20.1	17.8	12.7

²² "Coal" settlements around Vorkuta have much higher percentages of coal employment.

²³ Includes pension-age individuals who are active in the work force.

Figure 3

Mining as a Share of Total Employment, 1992 (% of total employment)



Reproduced from the 1992 World Bank Report "Russian Federation Restructuring the Coal Industry: Putting People First."

Table 4²⁴
Households with at Least One Person Employed or Retired from Coal Sector
(% of households)

	Vorkuta City	Sovetski	Oktyabrski	Vorkuta Overall	Kiselovsk Overall
Miners	12.9	47.3	47.0	38.5	30.1
Non-Miners	87.1	52.7	53.0	61.5	69.9

36. The level of education in coal communities is high, especially among the younger age workers. For example, a large portion of the labor force in both Vorkuta and Kiselovsk have not received formal training in a particular field and work as generalists in both the mining and non-mining sectors. Nevertheless, about a third of the labor force received degrees from a specialized higher level institution, and over a third are graduates of high school (figure 4). Those with a university education are less than a tenth of the total labor force. Those with only a primary school education are the older generation and prevail in Kiselovsk due to the older age structure of communities in this region. The female labor force does not appear disadvantaged with respect to education. Community differences in labor force characteristics, therefore, closely relate to the age structure of the population, but point to important differences in the ability of Vorkuta and Kiselovsk residents to cope with the impacts of enterprise restructuring.

37. Recommendations for the Coal Sector Restructuring Program. As illustrated above, the social and economic structure of coal regions are not uniform. And due to the large differences between coal communities in the involvement of their members in the coal sector and in the potential for other sector developments, including the informal sector, policy makers should take into account differences in responses to coal sector restructuring.²⁵ In assessing the community-specific impacts of sector restructuring and designing relevant actions, therefore, it is particularly important to: (a) pay special attention to coal settlements where the share of coal employment in total employment is high (for example, Sinegorskiy and Sholohovskiyy in Rostov, Lipki, Kemerovo); and (b) focus on specific settlements associated with individual mines, whether or not the share of coal employment is high.

38. Even in Vorkuta alone, there are substantial, statistically significant differences between households located in the center city (where there are fewer households with members working in the mines, higher incomes, better standards of living, and a much higher representation of families headed by single parents), and those in coal settlements (tables 5 and 6). The needs and concerns of each type of community, as well as the broader coal region will need to be addressed.

²⁴ Tables 3 and 4 are both statistically significant.

²⁵ The World Bank already supports projects that deal with community infrastructure development, enterprise housing divestiture, employment services and social protection in Russia. Lessons emerging from these projects should be taken into account for the government's restructuring program and any other activities that the Bank might support in the coal sector.

Figure 4

Education Levels

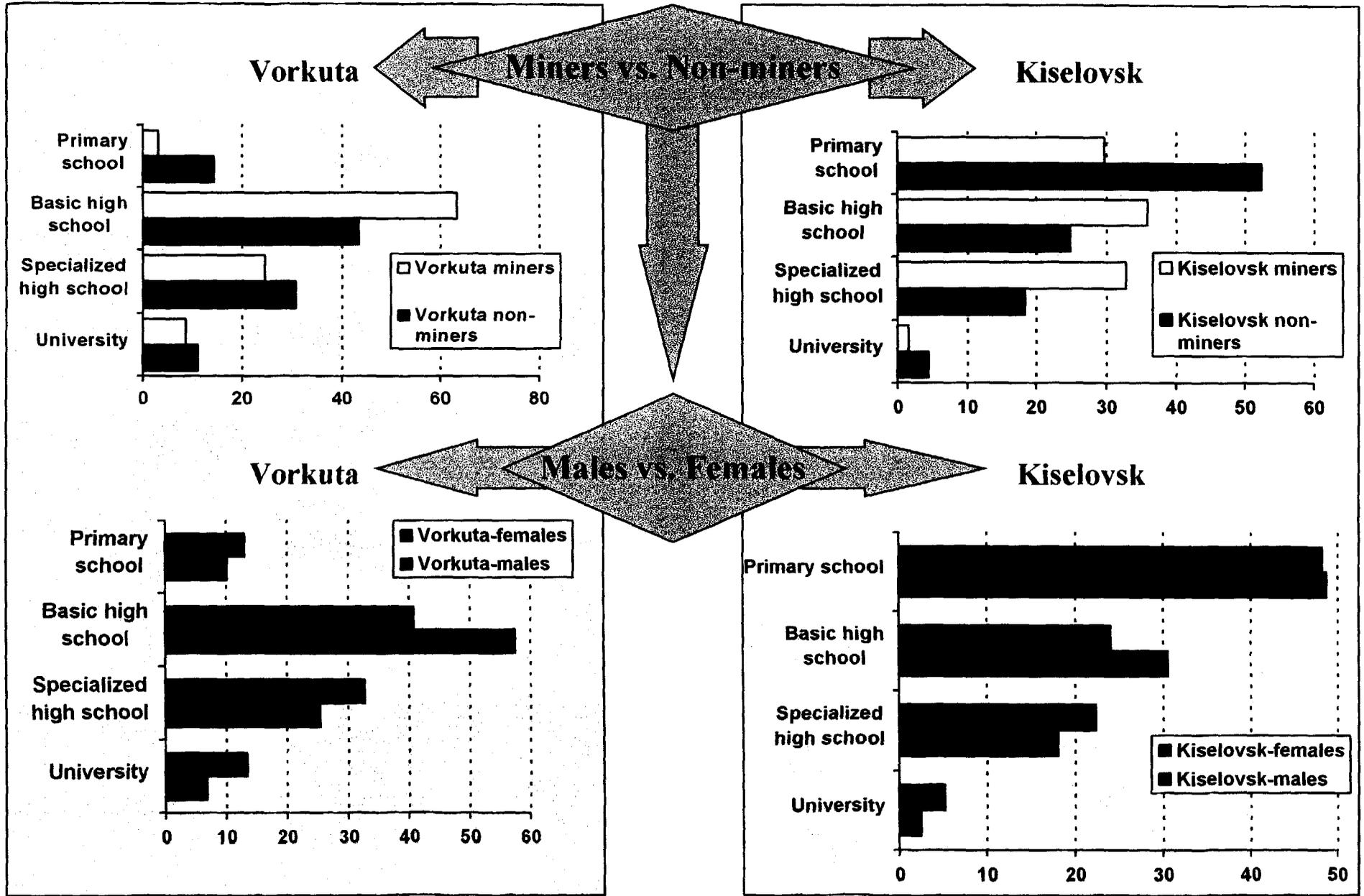


Table 5
Housing Conditions in Settlements of Vorkuta (% of households)

	Center	Sovetski	Oktyabrski
Good	31.0	25.0	2.0
Average	40.0	60.1	37.6
Bad	19.0	12.8	31.5
Very bad	10.0	2.0	28.9
Total number of respondents	100	148	149

Table 6
Availability of Modern Conveniences in Settlements of Vorkuta
(% of households)

	Center	Sovetski	Oktyabrski
All modern conveniences	76.2	99.3	0.0
Only some modern conveniences	23.8	0.7	67.1
No modern conveniences	0.0	0.0	32.9
Total number of respondents	101	149	149

39. The following measures should be taken into account in assessing community-specific impacts and designing locally relevant actions to respond to coal sector restructuring.

- (a) **Supporting the development of community specific responses.** The bulk of coal production and coal sector employment is in 18 regions, four of which make up for more than 90 percent of total coal output and 70 percent of employment (1992 figures). For that reason, efforts should be focused on these four regions to ensure maximum impact. Within each region, however, there is substantial variability among the communities on the extent to which they rely exclusively or primarily on coal production for their livelihood. Those with heavier reliance should receive greater support.
- (b) **Allowing communities themselves to help define the response.** To this end, it would be important to help establish or promote local committees that bring the interests of various stakeholders together. These committees can help assess the coal sector-specific impacts and discuss ideas as to the extent to which mitigation measures could be largely coal sector-based. Given the results of the SA and field discussions held in Vorkuta, solutions should address families involved in both mining and non-mining sectors. This is an important reason why a comprehensive social response to restructuring can best be formulated and implemented by agencies that are not limited to the coal sector .
- (c) **Supporting Regional Inter-Agency Commissions and a network of local governments to**

facilitate participatory priority setting in the regional distribution of benefits. One of the important findings of the SA related to demand for local multi-stakeholder structures to administer subsidies and severance packages associated with the coal sector restructuring. The SA findings also revealed variability in the social, demographic and economic structure of the coal basins and thus points to the need to establish local priorities for interventions aimed at cushioning coal sector restructuring. In defining community specific actions, it may be useful to incorporate a participatory structure that brings together the views of key elements of local communities (for example, a multi-stakeholder committee). Such a structure could guide the process of adjustment to coal sector restructuring. In this relation, it is important to support regional branches of the Inter-Agency Coal Commission and mechanisms such as the recently established (February 1996) Network of Mayors of Mining Cities. The activities of such a Network could include: (i) bringing together the proposals and views of communities affected by sector restructuring; (ii) helping to develop an assistance program; and (iii) helping to set priorities for community assistance in a transparent manner. It also could help monitor impacts and evaluate the effectiveness of alternative assistance programs.

- (d) **Helping set up an independent social impact monitoring mechanism.** Given the emphasis on “putting people first” and the SA findings, the information gaps, particularly with respect to the social impacts of transferring social assets from enterprises to local governments, -- that is, the low level of trust the communities covered by the SA have for the “system,” and the need for greater transparency in the implementation of the restructuring program -- all point to the usefulness of establishing a continuous SA process. Currently, research institutions play important civil functions in Russia as well as in the coal sector. It is therefore appropriate that a local university/research institute provide "independent" assistance to the Government in conducting community specific SAs. For social impact monitoring (SIM), an advanced schedule of closures and planned downsizing will be needed. Such a procedure also would respond to the right of people to know about events that will affect their lives. The objectives of SIM would be to:
- Help determine the extent to which the individual benefits intended for mine workers made redundant by the coal industry actually reach them; that entitlements of coal sector employees specified by various legal instruments, including the tariff agreements reached by the trade unions, are fully respected; that workers are fully informed of their entitlements and are given notice as per existing laws and regulations; that there are mechanisms and opportunities for recourse; and that the local, regional and Federal institutions mandated to assist the workers actually provide such services. If intended benefits and services do not reach the miners, an examination of the constraints and identification of mechanisms to remove these will be necessary.
 - Help determine whether “voluntary departures” are based on adequate information and on workers’ decisions. If the evidence suggests otherwise, the SIM will focus on factors that distort workers’ ability to make their own decisions. SIM also will be used for proposing corrective measures.
 - Help determine whether geographical, job and housing mobility is hindered and that the measures envisioned under the reform program and the capacity building activities of the

SECAL and the Implementation Assistance Project are in place. If this is not the case, SIM data will be used for proposing specific measures to enhance such mobility.

- Help determine whether special groups such as migrant workers, the disabled, and women, do not shoulder a disproportionate burden of restructuring. Where there are discriminatory practices, SIM will identify contributing factors and provide a basis for proposing mitigation measures.
- Help determine whether household and community access to and quality of social services are not adversely affected in the process of restructuring. Where such adverse impacts are observed, SIM will be used to identify contributing factors, including coal sector reform, and provide a basis for proposing mitigation measures.
- Create an appreciation of the overall hardships of a transitional environment and evaluate the relative social impacts of coal sector reform, in addition to the absolute impacts listed above.
- Help determine whether trust in the institutions instrumental in reform implementation is not weakened and that the public's perception of reform is not negatively influenced.

40. Social impact monitoring (SIM) also is intended to help determine whether:

- As compared to baseline conditions, miners, their families and communities are better cushioned with SECAL and the Implementation Assistance Project than without.
- The social safety measures in the Government's program which are supported by the SECAL and the Implementation Assistance Project are implemented and reach the intended beneficiaries to minimize, cushion, or mitigate adverse impacts.
- The restructuring program takes place in a dynamic and complex transitional environment in which adverse impacts of coal sector restructuring weigh less heavily in the lives of the people than planned and/or spontaneous restructuring in other sector activities.
- Particular regions, settlements, or social groups (women, elderly, disabled, migrants) are systematically disadvantaged.
- At the level of communities and individual enterprises/mines, restructuring takes place when social safety measures are fully in place in a planned, open, and transparent fashion.
- Institutions mandated with reform implementation, severance payments, training and job placement, and social assets management, etc., have the capacity and commitment to perform their roles.
- Decisions at all levels are taken with the participation of relevant stakeholders and the mechanisms put in place to ensure such a participation function.

- The public at large, especially in the coal regions, are informed of developments and the trust in the reform agenda is not weakened.

41. Specific monitoring indicators include the following²⁶:

- Access to full severance compensation as per existing laws.
- Accessibility of support for legal recourse.
- Ability to restore level of income prior to sector restructuring, including effective utilization of severance compensation.
- Ability to identify alternative sources of income.
- Flexibility in changing household patterns of labor force participation.
- Job mobility, accessibility of alternative employment opportunities.
- Availability and accessibility of training, re-training and job placement services.
- Access to adequate level of social services in the course of sector restructuring (in particular health and education).
- Ability to maintain standard of living prior to restructuring, including access to heating/cooking energy, housing maintenance, utilities.
- Access to and availability of information on social safety measures prior to departures from the sector (whether voluntary or not).
- Adequacy of support from local, regional and Federal agencies; and
- Adequacy of participation/representation in relevant decisions.

42. The SIM will have to be selective in its emphasis in order to produce timely results in a cost effective manner. This selectivity will be manifested in several ways:

- Regional focus: Surveys, case studies, and a major portion of the field work will focus primarily on four regions: Kuzbass, Rostov, Vorkuta and Tula. Among these, the first two account for over 55 percent of the employment in coal mines and thus deserve particular attention.
- Focus on closures and substantial reductions: Since the major emphasis of the SIM is minimization of the adverse impacts of restructuring, monitoring will focus on mines scheduled for closure and large-scale down sizing.
- Reliance on coal: SA has already established that some coal communities have higher levels of exclusive reliance on the coal sector for employment than others. SIM will focus more heavily on cases of exclusive reliance. Nonetheless, SA studies will attempt to put overall impacts in a more representative perspective by showing the relationship between patterns of community reliance on the coal sector and the patterns of adjustment to post-reform conditions.

²⁶ Indices of measurement will have to be defined as appropriate at the level of individual workers, households, communities, and micro-regions.

43. SIM cannot seek “representativeness” in its results. First, many regions have a handful of mines (for example, Vorkuta has 15) and a search of a “representative mine settlement” is not statistically fruitful. Secondly, SIM will monitor a process established on the basis of the non-viability of mines.²⁷ As mines are announced for closure and down sizing, a major part of the SIM will focus on the communities themselves to determine whether or not they are “typical” of the coal regions.

44. SIM will use several sources of primary and secondary data. It also will involve longitudinal, cross-sectional, and thematic studies, which complement one another with respect to their regional and issues coverage. The following provides a general description of SIM activities:

- **Monitoring with Secondary Data.** This activity will involve an analysis of total redundancies, unemployment registration, training provided, and placement. The data will be collected in all regions and sources of discrepancy between intended and achieved targets with respect to redundancies, unemployment registration and placement will be analyzed.
- **Cross Section Surveys.** These will focus on mine closures and large scale down sizing: Relatively short surveys will be undertaken in a selected number of mines in the four regions identified. Committees will be selected on the basis of closures lists obtained from coal associations. About 1,000 interviews will be conducted with employees who are made redundant (with a control group of those who have left voluntarily) to ensure that severance packages are received; social assets are transferred and maintenance arrangements are made; unemployment registration is made without delay and unemployment payments are received; adequate notice was given prior to closures; information is available to make the necessary adjustments; and institutions mandated with support to different categories of workers (including the vulnerable groups such as the disabled) actually provide the required services.
- **Longitudinal monitoring.** This effort will focus on a small group of miners who have left the industry voluntarily and those who were made redundant. It will compare and contrast patterns of adjustment, job search, and mobility, etc. A control group of employees made redundant from non-mining sectors will also be traced over the same period of time (of about 18 months) in order to identify relative impacts of coal sector restructuring. This group of workers will be selected from the communities included in the first round of cross section studies and will consist of about 400 miners and 200 non-miners.
- **Regional Comparisons.** A modest effort is proposed for SIM purposes. As described under the SA baseline studies, this activity will compare two micro-regions: one with heavy reliance on coal and the other with a more diverse economic base (for example Prokopyevsk in Kuzbass and Borodinskaya in Tula) to assess differences in coping strategies and their implications for restructuring program implementation beyond the period of SIM.

²⁷ It is expected that communities that will be facing mine closures have for some time been facing some of the social consequences of these inefficiencies.

- **Monitoring Vulnerable Groups:** Small scale studies are proposed to monitor responses of vulnerable groups (particularly the disabled and migrants) to sector restructuring.
- Thematic studies may be required as new issues emerge during the SIM period. Contingency funds, therefore, are set aside to provide flexibility to SIM.

Focus on Vulnerable Groups

45. The results of the SA in the two communities reveal that pensioners and workers approaching retirement age are a particularly vulnerable group, because they have attained lower levels of education than the rest, even less than the unemployed (figure 5), lack specialized expertise, and have low geographic mobility and a weak social support base for changing locations and/or jobs. As in other communities, older age groups are over-represented among those with lower levels of education and training. Among pensioners (55+ age group), for instance, this is particularly the case; more than half of Vorkuta's pensioners and over 80 percent of pensioners in Kiselovsk have only a primary education. The unemployed (that is, those who have voluntarily or involuntarily lost their jobs and/or those who were unable to get their first job), by contrast, have substantially higher levels of education.

46. Some pensioners continue to work and many others are potentially available for work. According to the 1995 Poverty Assessment, average pensions have been maintained at reasonable levels, although the minimum pension frequently has fallen significantly below the subsistence level. Moreover, about three percent of the pensioners receive a social pension which is as low as two-thirds of the minimum pension. The pension payments to the coal miners have a ceiling that is determined by the average pension levels for all sectors. As compared to their pre-retirement salaries the pensions of miners are dramatically depressed; the national ceiling imposed upon coal pensions makes it difficult for coal pensioners to sustain their families in environments where prices of food and other consumer items are high. Consequently, the perceived need to continue employment after retirement is extremely high among miners. This is strengthened by the fact that the retirement age in the sector is early. Pensioners are particularly vulnerable to mine closures not only because mines provide opportunities for post-retirement employment, but some pension benefits often are distributed by the mines.²⁸ As in the case of the Promyshlennaya mine closing, pension age miners usually oppose retirement and do not want to transfer to other enterprises. In addition, there is a clear gender distribution among the elderly with respect to poverty levels.²⁹

47. The status of migrant workers is not well-documented, but under the current system, migrant miners from Ukraine, Kazakstan, Azerbaijan and other FSU countries receive half the salary of Russian

²⁸ A substantial portion of the housing in coal communities, especially those in settlements outside the cities rely on oven heating. According to the tariff agreement signed by trade union PRUP and the Russian government, the miners have to be provided with coal to sustain them through long winters. When these services are withdrawn because of mine closures, pensioners particularly suffer because they cannot have an alternative employer providing these services or because they cannot afford to pay for coal delivered to their homes.

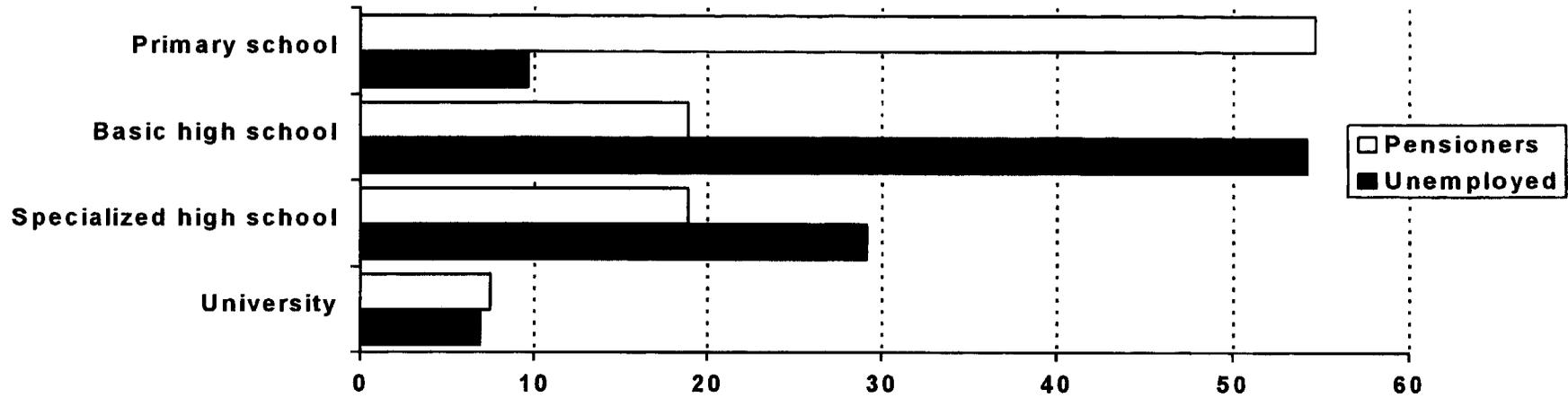
²⁹ In the summer 1992 Russian Longitudinal Monitoring Survey (RLMS), the poverty rate for prime working age males and females (18-54) were similar. For elderly females (aged 55 and over), the poverty rate was 44 percent higher than the corresponding rate for males (22.5 percent).

Figure 5

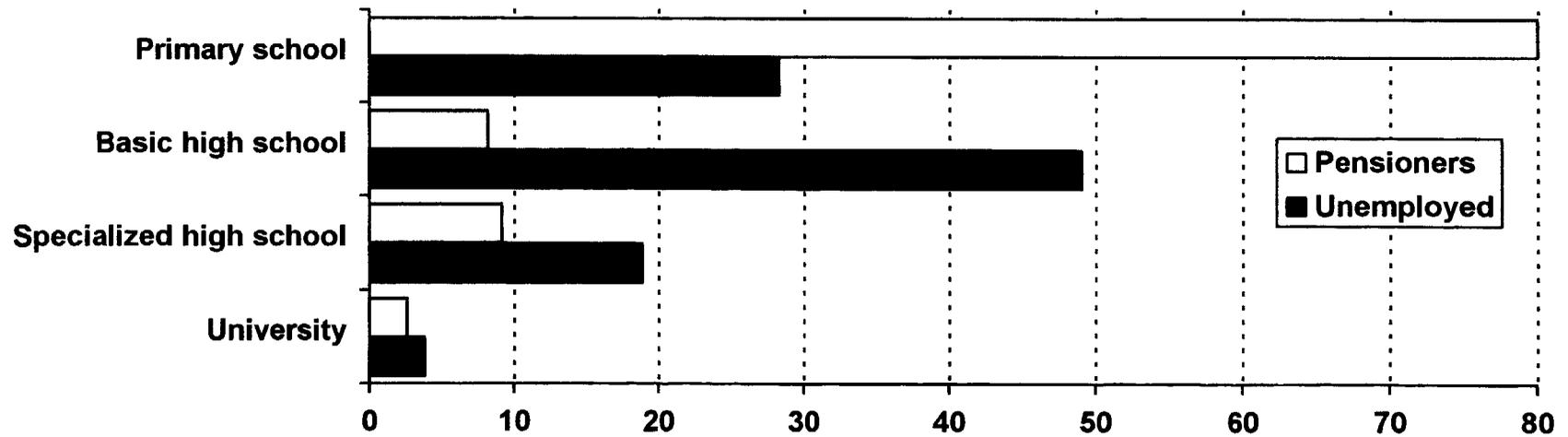
Education Levels: Pensioners vs. Unemployed

(% of pensioners and unemployed)

Vorkuta



Kiselovsk



miners and have far fewer privileges. How the restructuring has so far affected them is unknown, but one of the labor unions is launching a study to document their problems.

48. The vulnerability of women and female-headed households is less obvious from the SA survey data,³⁰ but women appear to have lower incomes; somewhat lower levels of specialized expertise (table 7); and lower levels of additional technical skills to fall back on in the event of job loss. Because female participation in the coal sector is especially low, the threat to female unemployment comes from the non-mine sectors. In Vorkuta, for example, around one-fifth of women are employed in mine-related activities (table 8). While unemployment among all the men surveyed is 13 percent, it is higher (17 percent) among women.

Table 7³¹
Professional Specialization (% of respondents)

	Vorkuta		Kiselovsk	
	Male	Female	Male	Female
Training in mining activities	0.6	9.0	20.0	2.2
Generalists/Workers	46.3	43.9	51.3	43.2
Technical training	26.6	17.0	4.4	11.2
No specialty	26.6	30.0	26.9	42.7
Total number of respondents	177	223	160	232

49. Miners are largely males with the largest proportion of miners belonging to the middle to higher-income groups. Among the employed respondents in the survey, males account for the largest proportion of miners in both Vorkuta and Kiselovsk. In Vorkuta, moreover, males account for the largest percentage of the group having specialized skills. Women, by contrast, are largely non-miners with the majority of women in Vorkuta working for the government. In Kiselovsk, however, there is a larger percentage of women who are working in mines.

³⁰The employment characteristics of coal cities and coal settlements are highly variable and have dramatically changed over the past four to five years. Previously, in many coal settlements, if couples did not jointly work in the mines, women worked in jobs that supported the mines (for example, farms, repair shops, preparation plants). In addition, there was the "textile" factory where literally hundreds of miners' wives could work sewing miner and oil worker uniforms and underwear. Since the market reforms began, these factories have quickly closed because material is expensive and the quality of the imported products have been found to be better than domestic ones. Other work places for women included bread factories, beer factories, as well as schools and kindergartens. These also have been transformed into tighter more market-oriented structures leaving women unemployed.

³¹ The distribution of professional specialization and the employment structure of genders in Vorkuta and Kiselovsk are statistically significant.

Table 8
Employment Structure - by Gender (%)

	Vorkuta		Kiselovsk	
	Male	Female	Male	Female
Mines	41.8	8.5	25	10.2
Vorkutaugol	4.5	12.6	0.0	0.0
Government organizations	16.4	30.5	9.4	12.8
Other	20.9	15.7	18.1	13.6
Pensioners	3.9	10.8	35.6	52.3
Unemployed	12.4	22	11.9	11.1
Total	177	223	84	86

50. According to the 1995 Poverty Assessment, the composition of the unemployed has shifted since 1991. Job losses have been concentrated on early retirees and women. During the early stages of the transition, the majority of the unemployed were women -- over 80 percent in some oblasts. This was attributed to firms' desires to retain "core" production workers and their preference for laying off clerical and auxiliary workers first, the vast majority of whom are women. In the same assessment, households headed by an unemployed person were found to be more than twice as likely to be poor -- 63 percent of households headed by an unemployed person were poor in summer 1993 and over 40 percent of households with an unemployed member were poor and almost half of these were *very* poor. The relatively more vulnerable position of female heads of households also is demonstrated by case studies in the coal sectors.³² For example, from early 1994 to July 1995, the number of employees at the Dimitrova mine was reduced by 45 percent, from 1,909 to 1,043. While waiting for the mine to close, less mobile and less socially protected groups remained at the mine, including over 200 women, often older individuals or single mothers responsible for the care of their children, over 200 men of pension and pre-pension age, and elderly workers with low educational and professional levels. Neither unemployment benefits, pension, or severance payments were sufficient to make a living. Nonetheless, workers from the settlement claimed that under pressure, mine management attempted to lay off single mothers (which appears to be contrary to the provisions of the Labor Law). The SA survey also revealed a higher incidence of unemployment among female heads of households.

51. Activity rates are especially low among female-headed households as compared to male headed households. For instance, in Kiselovsk, 29 percent of the female-headed households are unemployed and 43 percent are pensioners; in Vorkuta, these figures are 19 percent and 16 percent, respectively.³³ Unemployment among male-headed households is slightly higher than in other groups in Kiselovsk (32

³² According to the 1995 Poverty Assessment of the World Bank, "women in Russia are particularly susceptible to poverty. Despite higher education levels and high labor force participation rates, women have traditionally been concentrated in low wage occupational groups, and paid less than men. They also figure disproportionately among the unemployed."

³³ Differences in distribution were statistically significant based on chi square analysis.

percent), but pensioners consist of a relatively small portion of this group (20 percent). Male-headed households cluster in the older and younger age groups; the high unemployment rates are due in part to the difficulties of entering the labor market in an extremely constrained transition environment. Consistently, unemployment rates are lower in households jointly headed in both Kiselovsk and Vorkuta. Understandably, the presence of two adult members helps to cushion a family against economic crisis. Single male-headed households, therefore, also manifest vulnerability in Kiselovsk.

52. Those employed in the non-mining sectors also are vulnerable because they have lower incomes, higher rates of unemployment, less adequate living quarters, and lower levels of skills. In other words, when measured in terms of vulnerability to unemployment and ability to cope with the shocks of restructuring, non-coal sector employees also are disadvantaged. As mentioned earlier, there is a dynamic change in the classification of workers by sector; a worker who was on the payroll of a coal enterprise some three years ago may now appear in the local government payroll. In designing programs of assistance, therefore, it is more useful to think in community rather than individual terms.

53. The disabled, prevalent within the coal sector due to the lack of adequate safety measures for coal operations, are over-represented in the coal basins and face uncertainty regarding disability benefits in cases where it is not clear who will be the legal beneficiary of a closing mine, since it is the legal beneficiary that is responsible for paying disability benefits. In the case of Halmer-Yu, this was one of the reasons why many disabled miners remained in the settlement at the end. Moreover, there are several categories of disability and the employers had an obligation to provide surface jobs to those with lower levels of disability. Mine closures and/or serious downsizing are particularly threatening to this group because of the risk of losing the social benefits that they and their families have received from the coal associations.

54. When Vorkuta is compared to Kiselovsk with respect to a large number of indicators (for example, income, human resources, quality of housing, satisfaction with living conditions), there is little evidence that it is more vulnerable by comparison to other communities and its residents do not claim to be more vulnerable than those of other coal communities.

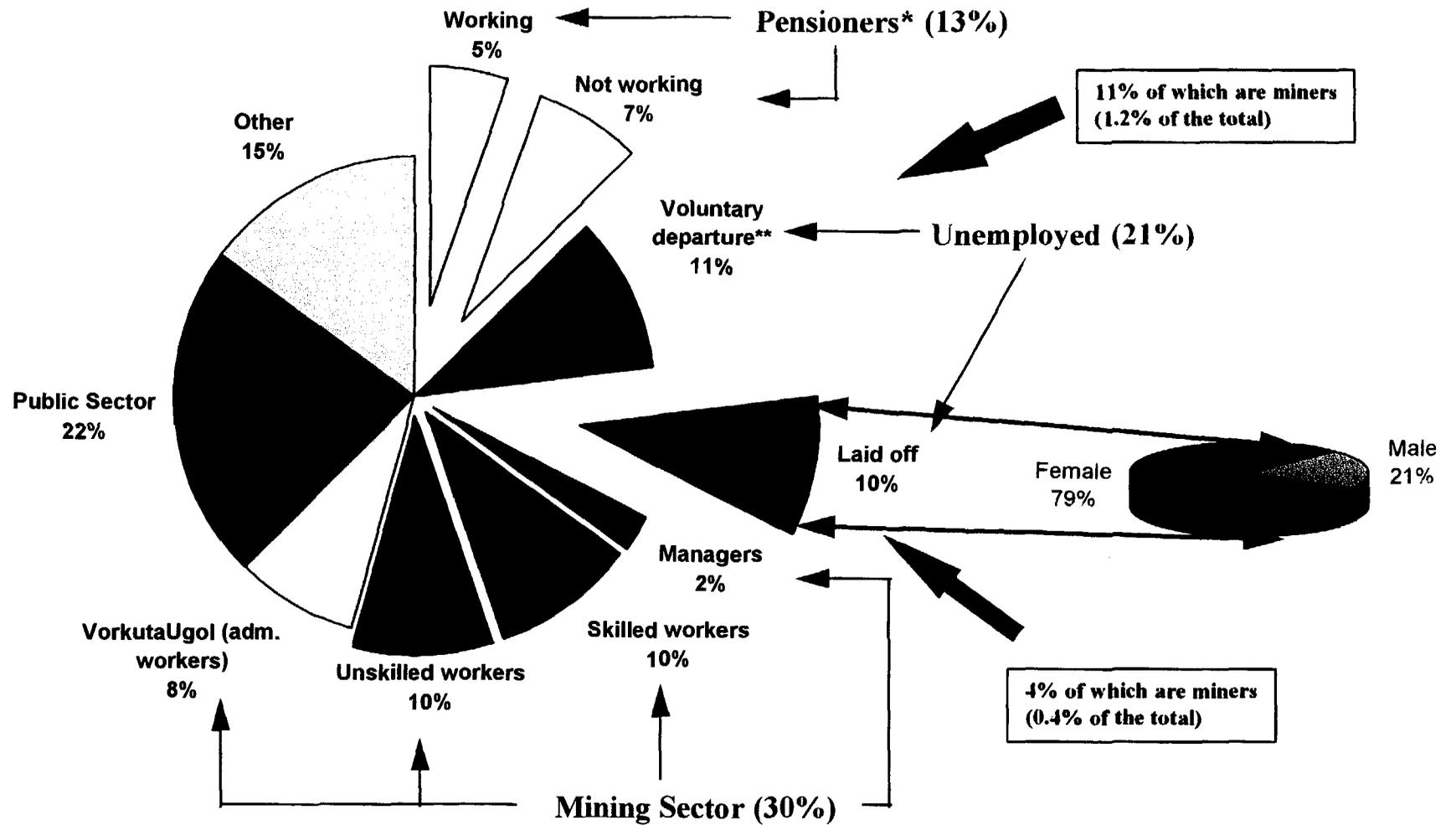
55. On the other hand, activity rates are much higher in Vorkuta as are the rates of unemployment (figures 6 and 7). More than half of the respondents in Kiselovsk are pensioners or unemployed; pensioners alone account for 52.6 percent of the respondents interviewed and about a sixth of them are working while receiving pension payments. Informal interviews indicate a strong preference among the pensioners to continue working because pensions are low.

56. Those unemployed but below the pension age account for a considerable percentage of the population in both regions; but the unemployment rate appears especially high (21 percent) in Vorkuta.³⁴ Also dramatic is the finding that about 10 percent of respondents in Vorkuta and 5 percent in Kiselovsk have been laid off. Nonetheless, voluntary departures for such reasons as health, dissatisfaction with work, and intention to leave the area account for a larger portion of unemployment than lay-offs. Among those who have been laid-off, miners account for only 4 percent of the total in Vorkuta and 16 percent in

³⁴ While 21 percent of respondents in Vorkuta and 12 percent in Kiselovsk report to be unemployed, few have registered themselves as such. A better understanding of voluntary and forced unemployment is needed.

Figure 6

Employment Structure - Vorkuta

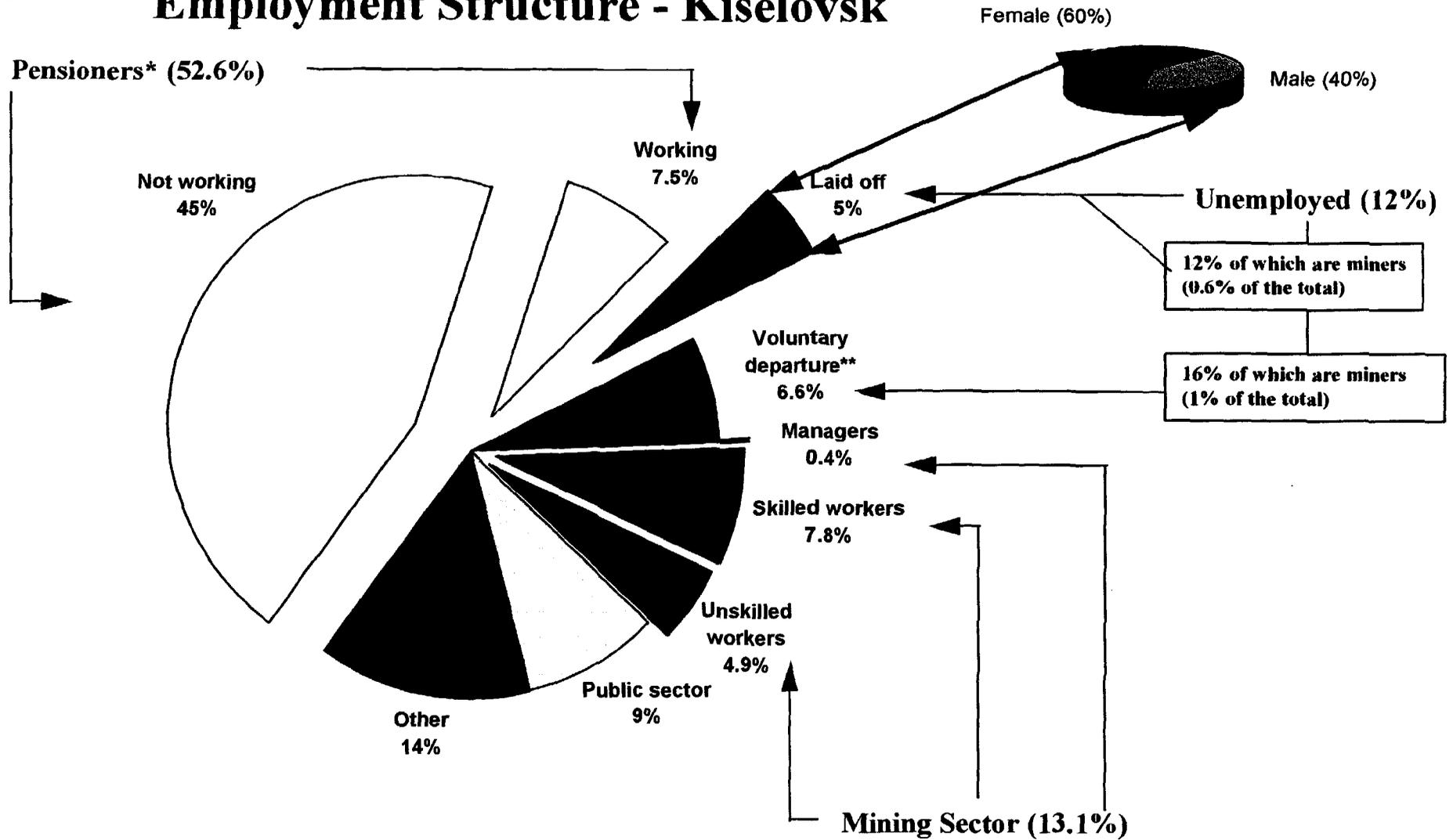


*Includes individuals older than age 55.

** Includes departure because of health reasons, own desire and other reasons.

Figure 7

Employment Structure - Kiselovsk



*Includes individuals older than age 55.

** Includes departure because of health reasons, own desire and other reasons.

Kiselovsk³⁵. In many of the "coal cities" or "coal basins," therefore, unemployment that has its origins directly in the coal sector varies considerably; and vulnerability to unemployment is community wide and as much a trait of non-miners as of miners.³⁶ In numerous communities visited in Tula, for example, many factories have shed workers or closed their doors permanently much earlier than the coal sector restructuring. During these visits, people frequently report their perception that no one has a guarantee of a job for the next day, and regardless of what employment they have, they explore other opportunities. Many ex-miners explained how they shifted to other sectors even though the mines that they were working in are still in operation.

57. With respect to the professional characteristics of working age populations in Vorkuta and Kiselovsk, the SA findings are consistent with earlier observations and reveal experience and training in other than coal sector employment as well. Indeed, only five percent of the respondents in Vorkuta and nine percent in Kiselovsk have specialized training in mine-related operations; the remaining workers are trained in diverse fields. As such, there is potential for workers to make adjustments through work in other sectors; indeed about 6 percent of households in Vorkuta and 8.3 percent in Kiselovsk report receiving additional incomes from activities other than their main employment.

58. In summary, vulnerability in the coal basins results not only from coal sector activities, but from the adverse effects of transition in other sector activities as well. This is especially true for women whose participation in the coal sector is substantially lower than that of men. Similarly, the vulnerability of the elderly, those not well-educated, those without skills, those without social support systems, can be traced to various sources -- an important one being coal sector restructuring. While coal sector institutions can help ensure that affected coal mines and their families receive their legal entitlements, the Government should focus on affected communities at large and help put in place community-wide protective measures.

59. Recommendations for a Coal Sector Restructuring Program.³⁷ In light of the above findings of the SA, the issue is whether or not targeting vulnerable groups through a coal sector restructuring program is justifiable and practicable. With respect to this issue, the following recommendations may be considered.

- (a) **Give special but not exclusive attention to the needs of vulnerable groups such as the disabled in coal basins.**³⁸ While focusing attention on vulnerable groups in the coal basins is necessary, singling out those who are/have been engaged directly within the coal sector is not sufficient. For

³⁵This information is not precise. The survey did not inquire about the sector of employment prior to lay-offs. Rather, for those who are laid-off, information on professional background is provided. Thus, the figures quoted reflect professional background instead of sector of last employment.

³⁶According to the 1995 Poverty Assessment, unemployment benefits average only 15 percent of the subsistence minimum.

³⁷ Clearly, SA is one of the many inputs to a decision making process on the issues addressed through the preliminary recommendations. Economic, financial, environmental and other technical considerations deserve as much attention as the social considerations. The recommendations proposed in the SA are meant to pose issues for stakeholder debate.

³⁸ The transition to the market economy appears to be causing unemployment and hardship throughout Russia. SA cannot establish whether such hardship is higher or lower in coal basins, and thus, does not call for a "special treatment" of coal areas. Nor does it call for exclusive new benefits to vulnerable groups.

example, women-headed households are vulnerable, but the source of their vulnerability is not directly linked to their participation in the coal sector. Consequently, focusing only on those involved in the coal sector would leave the needs of the majority of the female-headed households unattended.³⁹ This can be accomplished by considering broader, community/region-wide interventions that can provide as much support to these groups as they would to the communities at large. Avoiding discrimination is also important and implies that people will not be deprived of their entitlements due to their vulnerability or political weakness.⁴⁰ Case studies of mine closures provide evidence for such discrimination which needs to be discontinued. Case studies also show that people have been deprived of their regular entitlements, including wage payments. Possible broader social interventions that would benefit the vulnerable groups as well as others are outlined below.

- (b) **Ensure that entitlements to vulnerable groups provided under the existing laws continue and avoid promises for new protection mechanisms unless they can be fulfilled without exceptions.** In this regard, it is important to note that targeting specially designed assistance to vulnerable groups may be administratively burdensome. Also difficult would be the monitoring of such assistance in a restructuring environment.
- (c) **Address both miners and non-miners affected by mine closures in cushioning the adverse impacts of coal industry restructuring.** Implementing such a recommendation, however, would involve making a policy decision to entitle all workers in the coal basins, regardless of their employment sector, to fair notice and severance compensation.
- (d) **Assist in the development of community social infrastructure maintenance programs to ensure that all members of the community, including vulnerable groups, are protected and that some will be employed.** The SA showed high demand for support in the maintenance and management of housing and community infrastructure. The housing stock and infrastructure in some of the coal settlements has severely deteriorated and the communities are particularly articulate in their demand for support to repair it. Maintaining housing and infrastructure would not only help improve living conditions, but would generate a certain level of employment. While the employment effects of these programs would necessarily fall on the younger, better trained, and dynamic parts of the labor force, their development effects would be shared by the more vulnerable groups. Public works programs, focusing primarily on housing and infrastructure maintenance, would help establish support for local communities, rather than just the miners, in coping with the adverse impacts of sector restructuring. This support should have a targeted character. In many

³⁹In apparent contradiction with the "Main Principles of Mine Closures" confirmed by the Trade Unions, the number of workers (in Dimitrova mine) was reduced by half and production was practically stopped with no social protection for workers. In June, after workers learned that production had been stopped, they agreed to continue working without salaries. Workers understood that continuing production would enable them to receive at least some money, whereas the liquidation of the mine would leave them unprotected.

⁴⁰Adjusting pension payments to reflect inflation would provide an important source of protection, but this is not a sector-specific intervention (that is, it cannot be implemented for the coal sector alone and would require cross-sector treatment with substantial budgetary implications in an environment where even the basic salaries are in arrears).

mining settlements, infrastructure services such as central heating were specifically established to support individual mines. Case studies show that these services were owned and managed by the mine associations. And in the event of mine closure, they were not maintained and eventually broke down. Transportation services to neighboring towns also were provided by mines and they too collapsed during the mine closure process. Consequently, there is a need to identify the specific infrastructure requirements of the affected communities and establish mechanisms for providing these services.

- (e) **Help create employment opportunities through community-based innovative development initiatives such as micro-enterprise development.** Providing financial and technical assistance to local governments through the existing support programs is important in order to help create employment alternative to mining. Such alternatives are also important in view of the fact that numerous other non-viable economic enterprises in the coal regions have already closed down since, unlike coal, there were no large subsidies to support them. In addition, there is a need to support innovative initiatives such as micro-enterprise development. These types of community programs would help in planning long-term strategies and actions aimed at creating new employment opportunities and ensuring diversification of the coal basins.⁴¹ According to the SA findings, a segment of the coal communities is somewhat skeptical of private initiatives, based on what they perceive to be the motivations of private sector operators. Nonetheless, there is large support for and interest in micro-enterprises. Many workers feel that they can be engaged by such enterprises and that they would be willing to receive training to acquire the skills needed by them. This type of community-oriented development effort would provide opportunities for both miners and non-miners and thus provide social protection for the communities. The need for community based action is also supported by the findings of the SA. Further, supporting such programs would also help civil society development in coal basins and strengthen community-based organizations (CBOs) and NGOs.⁴² Micro-enterprises should be free to recruit their own labor, without regard to social vulnerabilities. Once established, however, these enterprises would recruit from within the coal communities and thus provide employment opportunities for their members. Women who have experience in non-coal sectors would be particularly good candidates for these enterprises.
- (f) **Enhance transparency in the closing of mines.** The necessary institutional arrangements for closing mines more humanely are not in place and should urgently be defined. As demonstrated by the case of the Dimitrova Mine, some mines have been closed without a "beneficiary" so that the pensioners could no longer receive their entitlements, and local services (for example, heating)

⁴¹ According to World Bank studies, the Russian Federation's overall economic and employment situation within which the coal sector restructuring is taking place creates great difficulties for coal sector redundancy efforts and limits the effectiveness of standard ameliorative measures such as job placement and retraining. Another priority, therefore, is to promote economic diversification through a local economic development program aimed at creating new jobs in new and expanded enterprises. Possible programs include: (a) a community employment program to integrate existing and potentially new resources to meet both immediate needs and to plan long term strategies, (b) a local economic development program aimed at creating permanent new jobs through the development of new enterprises and (c) a transitional employment program that would provide interim employment for displaced workers.

⁴² Nonetheless, there is need to base decisions on micro-enterprises on an analysis of economic feasibility. These enterprises should be viable for the regions proposed and not be established merely for the purposes of social assistance.

became inoperable. Further, there has been insufficient consideration of the "take over" arrangements and the capacity of municipalities to manage all post-closure functions.

- (g) **Encourage government to establish positive policies to enhance labor mobility.** The SA revealed that there are numerous policies and practices that hinder the ability of workers to move out of the coal basins in their search for employment. Such policies and practices also make it difficult for the retired populations to move to other regions of the country. Reviewing, and when appropriate, changing regulations that require residential registration, that prevent workers from getting their full pension compensation (including those with a Northern coefficient), and do not allow collection of pensions and unemployment benefits in different parts of the country are important actions. Moreover, changing these regulations may have institutional and financial implications that should be given adequate consideration.

Improve Living Conditions and Housing

60. Living conditions are difficult in the coal basins, especially those in the Northern regions. Regional coefficients and highly subsidized wages have in the past compensated for these conditions. Miners were able to save and many in Vorkuta, having no inflation to deal with, were able to leave these savings in a bank until retirement.

61. The overall housing subsidies being available during the last three years are insufficient for keeping the housing stock in proper shape. Besides, under the current institutional setting (monopolistic position of service providers in the housing sector, poor corporate governance and supervision by municipalities), even available funding is used in an inefficient way. Historically, the housing stock in the coal regions was relatively underdeveloped with respect to both its volume and quality. During the period between 1993-95, when there were substantial cuts in real social spending, the condition of the housing stock deteriorated further. The social assessment results also confirm this observation.

62. The apparent hardship and enormous burden of transition are reflected in people's perceptions about their living conditions. Very few, about one percent of the sample, feel well off. This contrasts dramatically with the results of several national polls showing that some 10 percent of the population feel good about their lives during this reform and transition period. About a third of the population are able to get along, but can only afford basic necessities; a very large group (over 40 percent) can only afford food. Those reporting that they are barely able to survive constitute over 20 percent of the sample.

63. According to the SA findings, Vorkuta compares favorably with the coal settlements of Kiselovsk in terms of living standards as perceived by the respective populations. Far more visible are the differences between those in the coal sector and those who are employed in other sectors. In both Kiselovsk and Vorkuta, miners clearly have a more positive perception of their standards of living, and this perception is matched by their higher incomes. With respect to these findings, there are no consistent differences between male, female, and jointly headed households.

64. Housing conditions also show significant regional variation. In Vorkuta, the great majority (98 percent) of the populations live in flats, often in two story apartment buildings. Unlike other parts of Russia, living in communal apartments is not widespread (about three percent of the population). In

Kiselovsk, three fourths of the households have individual, single story homes. These dramatic location differences are particularly important with respect to the ownership and maintenance of the housing stock.

65. Perhaps as a result of the differences in the type of housing noted above, Kiselovsk families are also deprived of modern conveniences, including adequate water and sanitation services (figure 8). In general, housing and housing services are better in Vorkuta than in Kiselovsk. While only 12 percent of Vorkuta households are deprived of amenities, two thirds of Kiselovsk households are in this situation. Nonetheless, community specific differences are far more pronounced than regional differences. For example, comparing the conditions in the city of Vorkuta with those in the two area coal settlements, we note differences far more pronounced than regional differences. In Vorkuta City, for instance, 76 percent of the homes have modern conveniences. In Sovetski settlement every household has these conveniences, but Oktyabrski is largely deprived. This situation is consistent with visible income differences.

66. People's perceptions of the adequacy of their housing situation is generally quite positive with two thirds finding the housing conditions good or fair. Perceptions are somewhat more positive in Kiselovsk, despite the reported lack of modern conveniences. In both cities, there are no differences between miners versus non-miners, different income or age groups, and male/female headed households with respect to housing conditions. The only predictor of housing quality is location. Again, community specific differences are large: in the city of Vorkuta, 31 percent of households find their housing conditions to be good and another 40 percent satisfactory. The coal settlement Sovetski also reports high levels of satisfaction. In Oktyabrski, however, the conditions are considered to be extremely poor.

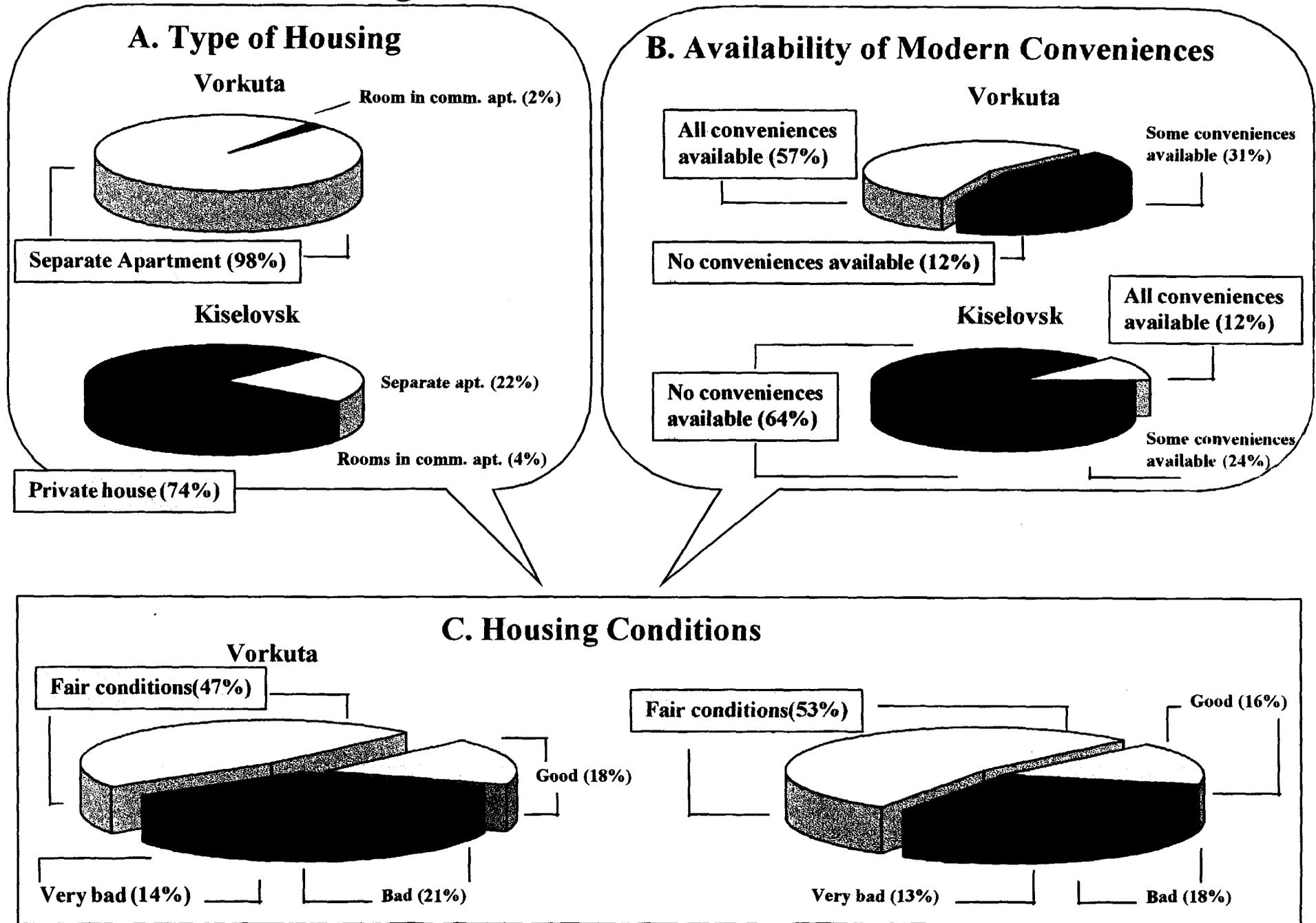
67. In both Kiselovsk and Vorkuta, there were a substantial number of households waiting for a new housing assignment: 21 percent in Vorkuta and about 9 percent in Kiselovsk. In both regions, twice as many miners as non-miners expect a housing allocation. Income, gender, or age are not determinants of those registered for new housing. In addition, there is a long list of families who have signed up for relocation homes. Interestingly, those families who are living in the worst quality housing have a significantly lesser tendency to appear on these lists than families with good housing. This is a difficult finding to explain given the lack of correlation between perceived conditions of housing and socio-economic variables such as income, age, and employment status. Given the political realities of Vorkuta, it appears that those who already live in good conditions aim at improving their living standards further and use various opportunities, including queuing for relocation homes, to maximize their options.

68. Some families already own second homes outside the coal basins; over 6 percent of Vorkuta households and 1.3 percent of Kiselovsk families are in this situation. Further, the multiple home ownership reported in Vorkuta is significant, and a certain level of under reporting is expected given the high demand for relocation from Vorkuta. Families who expect to be relocated may well be quiet about home ownership outside. It also is important to recall that the percentage of pensioners in Vorkuta is substantially lower than in Kiselovsk and in comparison with national averages. In addition, there are many pensioners that had homes outside the area and moved after retirement. During field visits to Vorkuta, moreover, it frequently was reported that this was a common practice until the 1990s.

69. Recommendations for the Coal Sector Restructuring Program. There are three main implications for restructuring. First, there is a need to provide support to municipalities to maintain social assets transferred to them. The recent divestiture of the bulk of social assets was not fiscally coordinated, resulting

Figure 8

Living Conditions in Vorkuta and Kiselovsk



in the emergence of problems in housing and other social assets. At the moment, this problem is at least as important as more traditional social problems deriving from rising unemployment and inadequate social protection. Second, there is a need for further study of the means by which municipalities and households will be able to take over the maintenance of the housing stock and infrastructure from enterprises. Third, alternative approaches should be developed to facilitate rapid privatization of housing in areas where there is a high incidence of single story detached houses; this too will require additional SA and consultation.

Recognize Diversity in Compensation Expectations

70. Cash compensation, housing, continuation of the social benefits and continued access to social assets are the three main expectations of households directly or indirectly affected by coal sector restructuring. Remarkably, few persons expect government assistance in finding employment. By contrast, Vorkutans would like a house elsewhere, get their moving expenses covered, and have cash compensation as well. Those from Kiselovsk, on the other hand, would rather have cash and/or have guarantees that their social services will continue. The demand for direct cash compensation is particularly pronounced in Kiselovsk (about 55 percent) where there is little expectation of relocating. According to the survey results, there are high expectations for government support to mitigate the adverse impacts of the restructuring process and the types of assistance sought are those best delivered by the central and local government agencies.

71. It is clear that relocation expectations are high in Vorkuta. The demand for housing is particularly pronounced: 90 percent of the respondents expect assistance in either housing or housing and housing-related costs (that is, relocation/travel costs, additional costs, additional compensation). Among the households in Vorkuta, about 25 percent are concerned exclusively with the housing issue, while another 65 percent require housing as well as relocation support, additional costs, or additional compensation.

72. A large percentage of those demanding housing (70 percent) also specified the amount of money they expected to receive for this purpose (that is, amounts ranging from 1 million to 1 billion rubles). Excluding extreme figures from the data reveal an average figure of 162 million rubles or about \$36,000 (1996 prices). Interestingly, the data show little relationship between the socio-economic characteristics of the individual respondents or households and the housing compensation expectations. One exception is the relationship between income and expected compensation. The largest percentage of high income respondents in Kiselovsk expect compensation in the form of cash, whereas the largest proportion of high-income respondents in Vorkuta expect housing assistance.

73. Survey respondents appear to have a fixed figure in mind for housing costs on the "mainland," Southern Russia. Far more realistic expectations were articulated during the informal pilot studies. In a large number of individual and group discussions held during a pilot study carried out in August 1995, respondents said that they would be prepared to accept cash compensation equivalent to the average square meter price of an apartment in Southern Russia multiplied by 12 square meters for each member of the household. This calculation yielded a cost of about US\$10,000 for a three room apartment.⁴³ In addition,

⁴³ According to another estimate, for small apartments, the cost of 1 square meter was about the equivalent of US\$350 in summer 1995. Therefore, a 50-60 square meter, 3-bedroom apartment costs between US\$17,500 - US\$21,000.

many claimed that through informal channels, one could get housing for a little as US\$6,000-8,000 in cities and less in rural areas. Nonetheless, nobody believed that anyone would actually provide them such compensation, despite the recent experience of a mine closure where many of the affected populations were actually relocated. In addition, there is widespread disbelief that any relocation assistance would be forthcoming, despite numerous decrees.

Table 9
Opinions Regarding Opening Own Business (% of respondents)

	Vorkuta	Kiselovsk
Never	44.5	73.6
Yes, with support	24.8	11.9
Yes, if there is no other way	24.3	10.9
Yes, if I wish	5	2.6
Already have	1.5	1
Total number of respondents	400	386

74. Some people also expect support through local enterprise development. Only four percent of households in Kiselovsk and two percent in Vorkuta are themselves involved in informal sector activities. When the respondents are asked whether they would be interested in having their own business, those younger (Vorkuta populations) responded with enthusiasm. Nearly half (44.5 percent) of Vorkuta households were interested and another 24.8 percent would be interested if they receive relevant training. This can be identified as an important area of training that needs to be related to realistic geographic economic opportunity possibilities.

75. More importantly, the proposed micro-enterprise component (para. 59) is meant to generate employment possibilities for the coal communities. We have already shown above that the households express flexibility in adopting to changing work situations, but they do not have strong trust for private business initiatives. About one-fifth of the sample claim that such initiatives are for people who are seeking "easy money," but many, especially those in the active employment age group, express a willingness to get involved in employment within this sector. Another fifth mention that they will work in such jobs if there is no better alternative (table 9).

76. Few people ask for state support in finding new employment. This can be explained by the fact that miners can still find jobs in other mines. Nonetheless, the labor reduction process in most mines, has recently started, and the situation in the coal sector labor market is expected to change rapidly in the near future. In addition, as expressed in informal discussions, there is a need for alternative employment, especially in settlements lacking a diverse economic base and potential for development of the informal sector.⁴⁴ These findings suggest that if trust can be established, and if there is transparency in the

⁴⁴ Not only miners and other families but also representatives of Duma, Ministry of Economy and Ministry of Labor as well as scientific community all stress the need to demonstrate innovative approaches that would help generate alternative employment opportunities in coal basins.

development and operation of micro enterprises on a pilot basis, they can be introduced to the coal regions.



BOX 4: UNEMPLOYMENT BENEFITS

Russia has extensive legal protection for unemployed workers. The extent of the law's application and funding varies greatly. All back pay and wages due the worker must be paid by the employer on the day of lay-off. All workers are guaranteed their basic salary during the job search period for a maximum of two months if they were laid off due to staff reductions and three months if the lay-off resulted from the closing of an enterprise (five months for those in the Far North and similar regions), provided that they register with the Local Employment Service (LES) during the initial two weeks after the lay-off.

If workers have not found a job within three months after lay-off, they will receive unemployment benefits which can be equal to or more than the minimum national salary. If applicable, regional coefficients are added to benefits. All benefits are increased by 10 percent for each of workers' dependents. The amount cannot exceed the worker's basic salary at his/her last place of employment. A summary of the nature of these benefits is as follows:

- Workers laid off in connection with the closure or reorganization of an enterprise and who have worked in that enterprise for more than 12 weeks in the year before official unemployment will receive:
 - 75 percent of their basic salary for the first three months.
 - 60 percent of their basic salary for the next four months.
 - 40 percent of their basic salary for five months, provided this amount is more than the minimum national salary. Benefits may not last for more than 12 consecutive months in an 18-month period.
- Workers who worked in closed or reorganized enterprises for less than 12 weeks will be paid benefits equal to the minimum salary.
- Workers who have lost their jobs for any other reasons receive benefits equal to the minimum national salary.
- All laid-off workers are to be reimbursed 100 percent of all costs associated with voluntary or forced relocation. They may also be given the right to receive their old-age pension two years before the legal retirement age (55 years old for women; 60 years old for men*).**
- After a year of unemployment benefits, workers who are still unemployed may qualify for "material assistance," which is equal to the minimum salary; this assistance may not last for more than six months. Nonetheless, after the limit on material assistance benefits has expired, it is unclear whether workers may begin a second round of unemployment benefits.
- The benefit period is extended by two weeks for each year worked beyond pension age.
- Workers under 18 years of age, pregnant women, women with children under 3, or single mothers with children under 14, can only be laid-off with the permission of the LES or the Regional Commission for Minors; the employer must find new jobs for these workers.
- All women receive benefits equal to the minimum salary until their youngest child is one and a half years of age. Women laid-off in closed enterprises receive additional benefits until their youngest child is three years of age. A woman also may receive one-time benefits equal to ten times the national minimum salary once it is confirmed that she is pregnant.

* Miners also can retire at an earlier age. For example, underground workers who have at least 20 years of work experience can retire regardless of their age.

** As per NPG tariff agreement which PRUP is also trying to promote.

77. Recommendations for the Coal Sector Restructuring Program. The findings on compensation expectation suggest that the restructuring program give high priority to ensuring that workers receive all (if appropriate) cash that is owed to them under the Law.⁴⁵ Specific recommendations are:

(a) **Provide adequate information on compensation.** Workers should be (i) given due notice under the Law; (ii) have a clear picture of their unemployment benefits as per various laws, decrees, regulations and tariffs (box 4); (iii) receive all their cash entitlements regardless of their decision to stay in the affected communities or leave in search of new opportunities.

(b) **Ensure government payment of severance in a timely manner.** This is a high priority which would enhance workers' ability to move freely in search of alternative opportunities. Case studies on mine closures indicate mixed experience in workers' ability to receive full severance

payments under the Labor Law, and only partial compensation as per tariff agreements because workers feel that full and timely payments are important. It is recommended, therefore, that a substantial portion of the subsidies remaining in the sector should be specifically allocated to social protection expenditures and disability compensation. Given high levels of uncertainty and low trust

BOX 5: SOCIAL ASSISTANCE BENEFITS IN RUSSIA

Cash benefit packages consist primarily of pension benefits, family allowances, and unemployment benefits. Sick pay, maternity benefits, and family allowance to "working" mothers with children under 18 months are paid from the Social Insurance Fund. The latter are administered by the enterprises. All these benefits, except the birth grant, are related to actual wages (100 percent). The Birth Grant is equal to five months of minimum wages. As most social benefits are financed on the regional level, the profitability of the enterprises and the size of the wage bill are important for the financing of social assistance benefits. Given that 23.5 percent of the coal industry enterprises are unprofitable, both the amount of the profit tax and payroll controls are questionable and the practical ability to pay social assistance is in doubt.

Pensions. Underground miners are eligible for old-age pension benefits at the age of 50 years for men and 45 years for women, if they have had at least 10 (7.5) years of underground service after 20 (15) years of total service. These pensions are paid by the Pension Fund. Non-underground miners are eligible for pensions at age 55 (men) and 50 (women), if their service period at the mine was at least 12.5 (10) years, and if they have a total service period of 25 (20) years. Pension benefit is defined as 55 percent of wage and it is raised by 1 percent for every full year of service beyond the required service period. For those who work in the Northern Regions, pensions are subject to the Northern coefficient increase. Inflation and the increasing costs of all the normal benefits that continued for pensioners mean that many miners choose to continue working and draw their pensions and salary. Rosgol estimates that approximately 27 percent of all coal employees are of pension age.

Source: World Bank (1995).

⁴⁵ An extensive legal social safety net which can assist laid off coal sector and other workers already exists. Worker rights and benefits in the case of layoffs are regulated by more than 20 federal decrees, resolutions, laws and orders. In addition, there are two national tariff agreements which provide benefits for coal sector workers. Several governmental bodies are involved in delivering the various programs and benefits. The safety net provides for a full range of support-severance pay; unemployment benefits; retraining; job finding and/or creation; relocation etc. The major problem, however, is not the profusion of the safety net provisions but its availability when needed due to funding constraints. Another problem, particularly for the high wage and benefit coal sector workers, is the level of income maintenance benefits and their relatively limited duration. As a result, coal pensioners continue to work as they cannot live on their pensions.

in the system as documented by the SA, it appears appropriate that promises for additional compensation should only be made when financially and economically feasible. Similarly, it may be appropriate to review the financial feasibility of the promises made in the past several years, including those concerning free relocation homes for a portion of the affected populations, and revise them as needed to create greater transparency in the implementation of coal sector restructuring program (box 5).⁴⁶

- (c) **Do not raise false hopes.** It is important not to raise expectations that cannot be fully met, whether they relate to relocation or other types of compensation. Tariff agreements made in the past were not followed and few of the relocation promises were kept. These all reduce trust in "the system" and substantially contributed to the uncertainty currently felt by mine communities (Box 6).

- (d) **Local governments need to continue social programs and services.** Case studies and survey

BOX 6: MINERS' BENEFITS IN DIMITROVA MINE

There have been two active unions at the Dimitrova Mine - NPG and NPRUP. In compliance with the collective agreement with NPG, therefore, mine management had to provide the following benefits: (1) to pay 15 percent average monthly wage for each year of work at the mine when an employee reaches pension age; (2) to pay compensation to the children of perished miners while they study (until 23 years of age); (3) provision of housing subsidies for pensioners in compliance with Articles 1, 3, 9, of the Tariff Agreement; (4) free coal delivery for invalids, WWII veterans, recipients of the "Mining Glory" badge, honorable miners, and families of perished miners; (5) provision of payments to pregnant women and women with children under three years of age; (6) to pay public transportation fare for employees living outside the city; (7) to pay 2 minimum monthly pension for the funeral of pensioners; free coffins, transportation, tombs; (8) to pay housing rent for old apartments; (9) to provide guarantees to banks for loan to construct dachas; (10) free telephone communication for dachas; (11) free transportation to dachas on the weekend; (12) skis at the ski resort and in the health center; (13) organization of mass festivals and sport competitions; (14) rent gymnasium and swimming pool; (15) skating ring, stadium, and ski resort; (16) to pay benefits to the best sportsmen; (17) to allocate no less than 0.15 percent of the wage funds of the mine for sports and festivals; (18) free coal or its cash equivalent; and (19) to pay WWII veterans 50 percent of central heating cost.

The NPG Agreement was signed in 1993. During the period when the mine was in operation, all requirements of the agreement, except one, were fulfilled. However, mine workers lost all their benefits after the mine was closed. The technical and economic confirmation for mine closure was given by Inter-Branch Committee in July 1995 (Protocol No. 8), and the production stopped in the fourth quarter of 1995.

According to mine management and Kuznetsugol, support to social programs includes: (i) compensation to invalids (injuries, professional diseases); (ii) free coal to pensioners and other eligible miners; (iii) provision of free funerals for invalids and pensioners; (iv) old house repair and maintenance; and (v) housing construction to replace old houses. By mid-1995 less than 10 percent of the financial resources needed for these purposes were actually allocated.

⁴⁶ Clearly, a financial framework is necessary and people's priorities need to be better understood with respect to alternative cushioning mechanisms such as support to social programs. The next phase of SA aims at a better understanding of these priorities.

results show high demand for continuing the social services once provided by the coal associations. A substantial portion of these services and relevant assets already have been transferred to local governments⁴⁷. The recent divestiture of the bulk of social assets was not fiscally coordinated, resulting in the emergence of problems in housing in and other social assets. Given the economic realities experienced throughout Russia, it would be unrealistic to expect that the Federal or the local governments could continue to provide health, education, and other social services at levels previously available to the citizens. With no further support from the mines in the provisioning of medical services, heating and cooking energy, and scholarships, etc., many households are adversely affected even when their members remain employed. At the moment, this problem is at least as important as more traditional social problems deriving from rising unemployment and inadequate social protection. For non-housing social assets, regional authorities implemented various types of cost savings measures which were conducted on a non-coordinated, case-by-case basis. The Government, therefore, should explore the feasibility of continuing key social services to communities. This can be done by ensuring that a substantial portion of the remaining subsidies to the sector will be allocated to support the management of transferred social assets. An additional problem that would need to be addressed in this context is to enforce budgetary arrangements ensuring that support to the communities is not divested at the regional level or to lower priority objectives at the local level.

Discourage Government-Funded Voluntary Relocation

78. The propensity for and expectation of receiving state support for free housing and relocating is strong in Vorkuta, but not in Kemerovo, Rostov, and Tula. These expectations arise mainly due to four separate Presidential decrees that have promised homes to miners to be affected by mine closures. This also was an important factor that contributed to continued immigration to Vorkuta from other parts of Russia as well as Central Asia and Ukraine. Even in settlements created to serve a specific mine now being closed, there is a large number of recent immigrant households.⁴⁸ For example, according to the SA, in Vorkuta, about five percent of the households have immigrated in the past five years. These expectations were fueled by the relocation homes provided to many miners from Halmer-Yu (box 7). When household attitudes toward voluntary relocation, as defined as a free home elsewhere, were investigated, 62 percent of the households in Vorkuta and 12 percent in Kiselovsk mentioned that they were ready to move to another location if there was an opportunity (figure 9). With respect to the respondents' reasons for wanting to relocate, family and health concerns were as important as housing problems and expectations that such a move would bring additional monetary benefits.⁴⁹ In Sovetski settlement in Vorkuta, where housing

⁴⁷By January 1, 1994, all kindergartens in Dimitrova were transferred to the municipality. It was agreed, however, that kindergarten No.31 would continue to be supported by the mine. The decision to transfer kindergartens was based on the Presidential Decree N1702 (dated 12/30/1992) and not discussed with mine employees or unions.

⁴⁸ This is not surprising because, with the exception of those living in Vorkuta, the majority of whom expect to receive housing through voluntary relocation, very few people intend to leave, even when they lose their jobs. In Tula, people say they would move only if they have to and many workers have been commuting to Moscow while keeping their families in Tula. The residents of the private housing stock in Tula are interested in renting part of their accommodations to those who are immigrating to this region. The potential for private home ownership and the scarcity of housing elsewhere account for the generally low demand for relocation.

⁴⁹ The lack of alternative employment opportunities in Vorkuta and downward multiplier effects of downsizing in the coal sector mean that people may well have to move to other parts of Russia in search of work. Regional labor mobility is not a new

Figure 9

VORKUTA

KISELOVSK

Desire
to Move

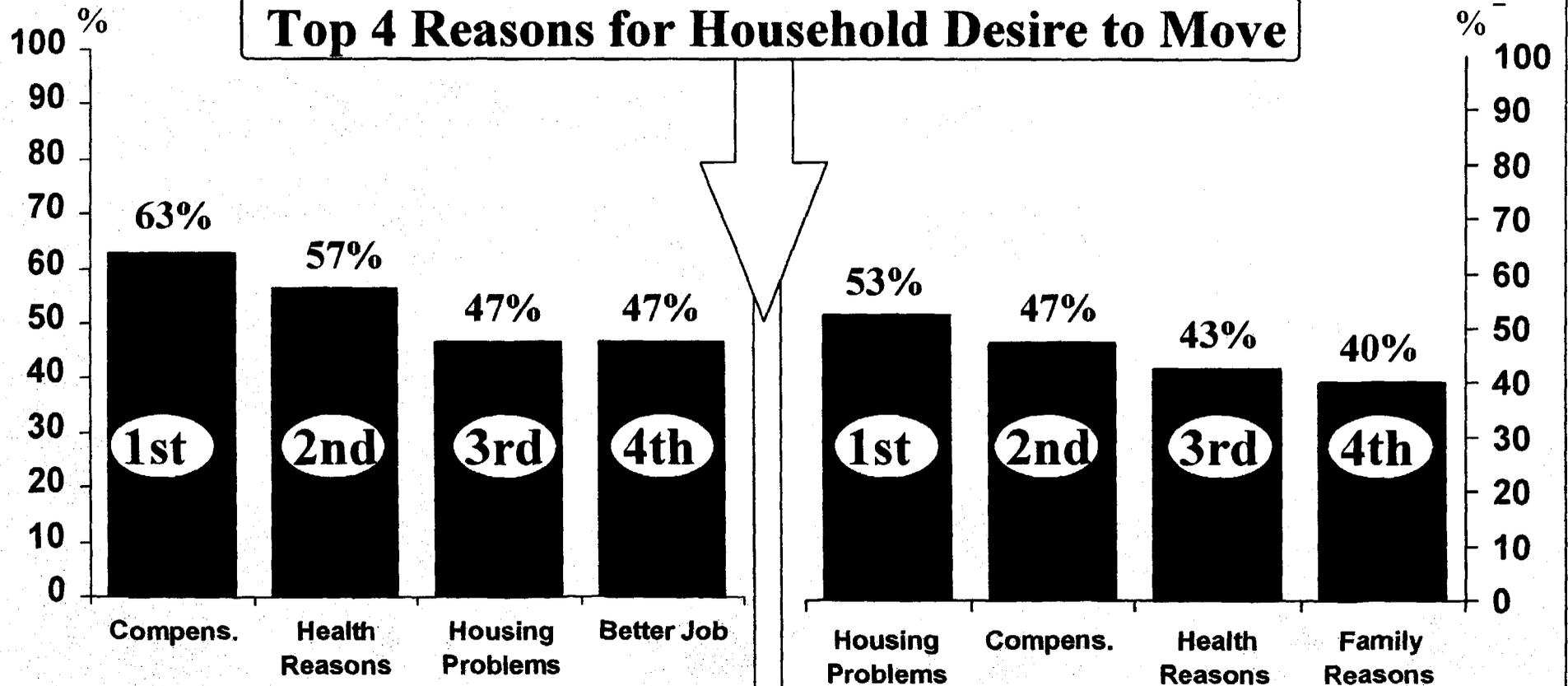
Yes
62%

Yes
12%

No
38%

No
88%

Top 4 Reasons for Household Desire to Move



conditions are reported to be very bad, the desire to move is the most intense. Only a fifth in Vorkuta and no one in Kiselovsk had registered to relocate (that is, to demand free housing elsewhere in Russia). More importantly, non-miners were somewhat more eager to relocate than miners (table 10). And the number of non-miners who have already registered to move was almost equal the number of miners who registered.

79. Due to the active struggle of the Fund for Social Guarantees together with Disabled Miners Fund and Veterans of the North, the Government has approved small funds for relocation for Vorkuta households. Accordingly, the disabled and their families, those pensioners who have worked for more than 20 years in the mines and have been on the waiting list for relocation, and interested former gulag prisoners may benefit from this program over the next five years. The scope of these activities, however, is limited and a broad based promise of financing of voluntary relocation is not affordable.

BOX 7: HALMER-YU MINE CLOSURE AND RELOCATION

Halmer-Yu is a mine located two hours north by train of the Arctic city of Vorkuta. Due to the harsh climate of the region, all of the housing structures have been in serious disrepair. As early as the late 1980s, there was talk of closing the mine. By 1993, it had become the target of Rosugol and others to serve as "the model" for closing. The mine had 1,573 workers; the settlement of 4,100 people was almost exclusively associated with the mine.

In considering relocation, Vorkutaugol and the Halmer-Yu Mine Administration directed the Fund of Social Guarantees to survey Halmer-Yu residents about their location preferences. The survey showed that 270 families (499 people) wanted to leave the Vorkuta region. The list for priority relocation consisted of the most vulnerable groups: single mothers, pensioners, and laid-off workers. By the beginning of 1994, 600 families were on this list. As part of the relocation process, residents were given an opportunity to fly south and review two to three apartments before being moved. Rosugol, Vorkutaugol, and the Vorkuta City Administration were responsible for financing the new housing and transporting residents to evaluate the new housing sites.

The experience at Halmer-Yu, however, was not a successful one. It demonstrated that relocation was extremely expensive (over 140 billion rubles, thus far), followed a unique course not necessarily connected to the legal requirements for a closing, and created false expectations for other workers at other mines which may or will close. In addition, many of the Halmer-Yu residents were not relocated. Rosugol had planned for all workers to relocate by July 1995, however, this plan did not materialize. At the end of 1995, 360 families were still registered as residents of the settlement; out of these, 76 families were providing support services to the settlement; 156 families received apartments in Central Russia and could leave, but were in court trying to receive disability payments; and 128 remained because their housing had not been completed.

Former Halmer-Yu residents are now located in several regions of Russia although many have noted that they would have preferred to relocate to their family home generally located in other countries. For example, there is a large number of Ukrainian nationals residing in the Arctic, but a lack of housing coupled with the fact that Russia will not transfer the pensions or transfer costs outside the country, appears to hold back workers from taking this course.

The impact of the Halmer-Yu experience on other workers in the North is important. In March 1995, the Inter-Branch Coal Committee visited Vorkuta and following a participatory process, it was agreed that only people who worked in mines to be closed for ten years or more had the right to be relocated.

concept to the residents of Vorkuta, the majority of whom were not born in the area. However, movement on a large scale in a depressed national economy with bleak employment prospects and critical housing shortages is a daunting prospect.

Table 10
Readiness to Move Among Miners and Non-miners (% of respondents)

	Vorkuta		Kiselovsk	
	Miners	Non-miners	Miners	Non-miners
Ready	68.8	58	12.5	10.3
Not Ready	29	38.1	82.8	87.6
Unsure	22	3.9	4.7	2.1
Total # of respondents	93	307	64	330

80. Recommendations for the Coal Sector Restructuring Program. In light of these findings, the following recommendations largely discourage large-scale assistance for government financed free relocation homes.

- (a) **Avoid government-funded voluntary relocation.** Government-provided voluntary relocation homes should not be provided to those who have lost their jobs, special categories of miners,⁵⁰ or to non-miners for several reasons because: (i) the overall demand for relocation is not high; rather, it is location specific; (ii) demand for voluntary relocation is not limited to miners only; especially in Vorkuta, non-mining families ask for "social justice" and expect the same treatment as that extended to miners; (iii) institutional and financial arrangements for large-scale relocation would pose large problems and would be difficult to sustain; and (iv) even limited applications would create false wage/compensation expectations among laborers in the future and reduce the future economic viability of coal production. Nonetheless, under the existing Labor Law, there are provisions for relocation travel support. Workers who are laid off would receive cash compensation for the transportation of up to five tons of their household effects to a new location if they choose to resettle. These entitlements under the Law should continue to be provided to the affected workers and their families.
- (b) Several proposals regarding relocation programs that would provide free housing to groups of affected populations were developed for Vorkuta (and shared with the Bank missions). One of these proposals was designed by the mining association and the other was put forward by the Fund for Social Guarantees.⁵¹ These were intended to cover those pensioners who have worked in the

⁵⁰ One proposal is to provide relocation assistance only to miners with 10 years or longer mining experience in Vorkuta. Another proposal is to relocate pensioners and the disabled who had worked 20 years. The experience is to grant such assistance to all mining families in settlements connected to a mine in Halmer-Yu.

⁵¹ For the remote non-viable coal areas, relocation programs will be important. Relocation is difficult given the shortage of housing and the costs involved. Prior efforts have had difficulties including some abuses. There is a relocation program involving Vorkuta and Tula that is yet to be implemented. The proposal by the Fund for Social Guarantees proposal for relocation in Vorkuta also appear to have merit and should be given careful consideration. The IACC has instructed the Federal Employment Service and other concerned agencies to address the relocation issue, particularly its financing.

mining sector at least for 20 years and/or who are particularly vulnerable (for example, the disabled). Even at this limited scale, however, publicly financed provisioning of relocation homes poses several problems:

- It is not equitable to confine relocation homes to coal sector employees exclusively when many other workers, and often with lower pay, also support the coal sector by providing health, education, and other services.
 - The number of households who meet the criteria for relocation housing entitlement (disabled and those with 20 years work experience in the mines) would increase every year. Attempts to deny them similar support would not be equitable.
 - The relocation program is justified by its supporters with the argument that good housing is in short supply and that relocating some 11,000 families from Vorkuta would free housing for those miners who are on the waiting list for a new housing allocation. Nonetheless, allocating the resources to be used for relocation homes to a comprehensive housing maintenance program in Vorkuta could create employment and benefit many more families in Vorkuta.
 - Construction of relocation homes, especially when undertaken by the public sector or by mining associations, is costly. For example, according to official estimates relocating 11,000 to 12,000 families in Vorkuta would cost from US\$300 to US\$500 million. According to the SA results and the expectations articulated by workers, relocating this number would mean that the households requiring relocation homes would increase by 1,200 yearly as additional households meet the criteria for relocation. The financial sustainability of such a relocation housing program, therefore, would be questionable.
 - Family members of those who qualify for a limited relocation program would not necessarily benefit from relocation, especially because the relocation program would be designed for populations who would no longer be active in the job market. In fact, there is evidence that families who were provided with free relocation homes recently as a result of a mine closure, returned to Vorkuta once the legalities concerning their ownership of these homes were clarified.
 - There is a lack of management capacity to handle a major relocation housing program, as demonstrated by the Halmer-Yu relocation process. People have used their own initiative in the past and could continue to do so with relocation costs far below that of the public sector.
- (c) **Consider government support to voluntary relocation programs when there are environmental hazards associated with mining operations or a mine closing, and affected households require relocation to a physically safer location.** Field visits undertaken during the course of the SA uncovered housing made unsafe as a result of mining operations. This suggests the need to provide relocation services (defined as government provided free housing) for physical safety purposes to be extended to affected households whether or not their members have lost their jobs due to mine closures or significant downsizing. Further, such support should be available to

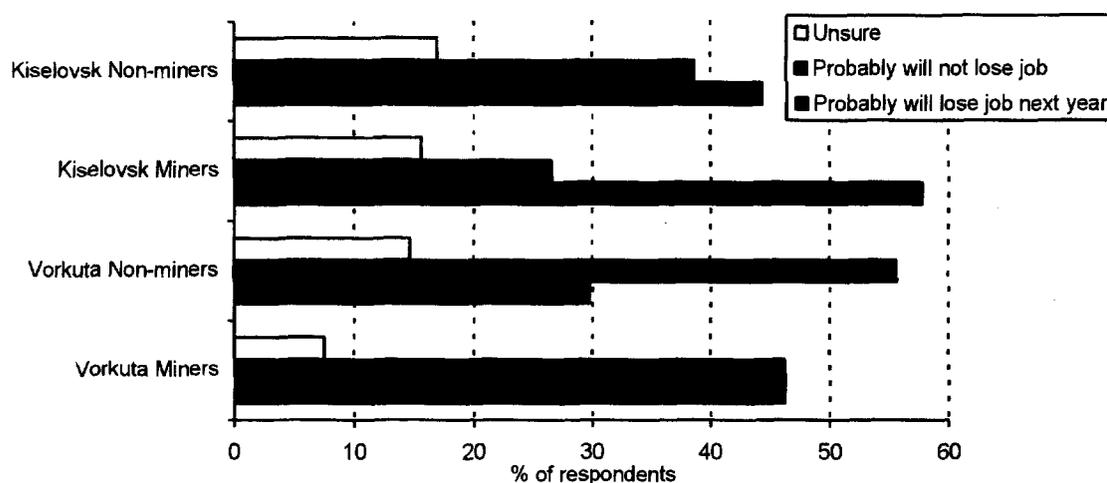
families whether or not their members are employed in mines or in other sector activities. In addition, the relocation of households subject to environmental hazards associated with coal operations should be a pre-condition for closing any mine. The promises made to residents of northern regions and to Vorkutans for free relocation housing elsewhere in Russia should be reviewed from the perspective of financial feasibility and social equity as well as in terms of the implications for the coal sector restructuring objectives. Rather than financing free relocation homes for a limited number of miners, the restructuring program might focus on designing policies and regulations to enhance free movement of workers and their families and to promote geographical mobility in and out of the coal basins. As indicated by the World Bank report "Vorkuta - A Town in the Far North," "... there is nowhere in the world which provides workers with a free house virtually anywhere in the country when economic conditions force job-shedding, and it is difficult to see why Russia should be an exception."⁵² For each mine, relocation costs should be estimated and included in the overall costs of mine closures. If hazards are present in mines not subject to closure, the affected household also should be relocated. It should be possible for the restructuring program to support such relocation regardless of the status of the mine. Municipalities that are asked to assume maintenance responsibility for the housing stock of enterprises can put forward proposals for environmentally induced relocation. Moreover, financing this type of relocation activity within the coal basins would contribute to employment generation.

Recognize High Levels of Perceived Vulnerability

81. Notwithstanding the actual findings on vulnerable groups above, perceived vulnerability in the two regions is high; nearly a third of the households expect to lose their jobs within a year (figure 10). Feelings of vulnerability are higher, however, in Kiselovsk where the majority of the interviews were conducted in mine settlements located near mines that were closed. Further, when asked whether mine closures in their communities would affect them and their families personally, nearly 60 percent of Vorkuta respondents and 72 percent of Kiselovsk respondents provided an affirmative answer. A more important aspect of the findings, however, is that more than a quarter of the residents in coal regions do not feel threatened and these more confident people are the miners themselves. In both Vorkuta and Kiselovsk, some six to seven percent of the miners feel such a personal threat. One out of three or four employees working in other sectors, on the other hand, feel that they are in immediate danger. Similarly, younger working women and women heads of households perceive the threat of restructuring to be large and immediate.

⁵² This is not to deny that living conditions in the Far North are exceptionally severe, and workers' former expectations that their high wages would enable them to save enough to allow them to buy or build a house for themselves elsewhere when they retired are no longer satisfied. The erosion of past saving as a result of rapid inflation and the unavailability of financial assets for savers have adversely affected people throughout Russia. In any case, a relocation package cannot be fulfilled for more than a handful of workers. Even if VorkutaUgol would be willing to pay for such relocation, large additional subsidies from the central government, which it is unlikely or not able to provide, would be needed.

Figure 10: Worker Vulnerability



82. Notwithstanding their perceived vulnerability, many support coal sector restructuring provided that procedures are followed (box 8). About a half of respondents disagree with coal sector restructuring regardless of the manner in which this is done, but 54 percent of Vorkuta residents and a third of Kiselovsk respondents, will support what they understand of the government restructuring efforts without conditions. When asked whether they would agree or disagree with the statement that mines should not be closed, 91 percent of Vorkuta respondents and 92 percent of Kiselovsk respondents

said that non-viable mines should close only when employers are offered equivalent work (table 11). Slightly less (83 percent and 81 percent, respectively) said that unprofitable mines should be closed provided that workers are offered material compensation. Vorkuta, where there is a higher rate of unemployment than in Kiselovsk, indicated greater support to reform. Nonetheless, two-thirds of the Kiselovsk respondents did not want the mines to close under any circumstances, perhaps as a result of their recent negative experience with mine closures. More of the single-women headed households than any other group had greater uncertainty about the conditions under which the reform program had to be implemented.

BOX 8: PROCEDURES FOR MINE CLOSURES

According to the "Basic Trends" document, a mine closure should proceed through the following steps: (1) the technical-economic confirmation (TEC) of the closure should be available and approved by both labor unions; (2) the TEC should be discussed by the Rosugol Expert Commission and the discussion should result in a protocol signed by representatives of Rosugol, the Association, the closing mine, and both labor unions; and (3) the TEC and a program of closure should be submitted to the Inter-Agency Commission for approval before the actual closure takes place. The Commission also should make a decision about the sources of financing for the closure, and on this basis, Rosugol should submit to the Government a request to start financing; (4) Rosugol should issue an order about closing and allocate appropriate financing for it; (5) the Government should issue a Decree on mine closure and the related financing procedure; and (6) a legal successor of the mine should be defined to provide payments according to the disability claims.

83. When the same question was posed in a different way that included protection for the workers, there was visibly more support for reform. For example, over 90 percent agreed that unprofitable mines should be closed provided there is compensation to workers and irregularities -- as those seen in some of the mines closed -- are not allowed (box 9). Most respondents (90.8 percent) in Vorkuta think that unprofitable mines should be closed only if workers receive another job of equal value in another place; 44.5 percent, however, think that unprofitable mines should probably close.

Also in Vorkuta, five percent of the respondents think that unprofitable mines should close even when workers receive minimal compensation.

84. In Kiselovsk, by contrast, a much higher percentage (67 percent) think that the mines should not close under any circumstances. Nonetheless, 92 percent of the respondents would agree that they should be closed if workers receive another job of equal value. Eighty-one percent of the respondents in Kiselovsk think that unprofitable mines should close if workers receive material compensation.

BOX 9: PROMYSHLENNAYA MINE CLOSING

According to interviews with its management and workers, in Promyshlennaya Mine the order to close the mine was not issued. The decision to close the mine without the corresponding governmental decree was met with negative reactions. Uncertainty about their future and lacking of work and information about the destiny of the mine led to an outburst of social discontent on September 25, 1995, when workers went on strike. On September 27, 1995, a governmental decree was signed about the mine closing, but the miners remained on strike for many months.

Around the beginning of October 1995, a delegation including representatives from Promyshlennaya and Vorkuta mines visited Moscow to discuss the strike with the government. The reason for the strike was the continuing uncertainty about compensation and other social guarantees. Seeing no prospects, people were desperate and tensions were high. The uncertainty also has created an anti-government sentiment among miners and opposition to the very idea of restructuring the coal industry. As a result of the increased pressure from the delegation, Rogugol accepted financing mine closures and providing free relocation for miners of this particular mine.

Table 11
Opinions Regarding Mine Closures (% of respondents)

	Vorkuta			Kiselovsk		
	Agree	Disagree	Unsure	Agree	Disagree	Unsure
Mines should not close under any circumstances	44	34	22	67	18	15
Non-viable mines should close only if workers receive an equivalent job	91	2	7	92	3	5
Non-viable mines should be closed if workers receive material compensation	83	10	7	81	12	7
Non-viable mines should be closed if workers receive minimal compensation	5	82	13	14	65	19
Non-viable mines should be closed and workers should not get any compensation	0.5	95	4.5	4	91	5

85. A very large percent of households (85.5 percent in Vorkuta and 71 percent in Kiselovsk) state that there is a need for government support (figure 11). The residents of Kiselovsk have lower expectations of their government. This may be based on their recent experience with mine closures where little assistance was provided. It also may be attributed to the lower political profile of Kiselovsk.

Increase Trust in the System

86. Mine communities do not trust coal sector institutions, and there is little trust in the "system" at large⁵³ (figure 12). About a fifth of the households do not trust anyone and another quarter are uncertain about who can be trusted. Clearly, the majority of respondents think that no one single organization is worthy of trust: only five percent are able to trust Rosugol, less than three percent trust the regional coal companies, three percent are able to trust the regional government, less than eight percent trust unions, and less than two percent trust the employment service.⁵⁴ The results of systematic surveys are supported by case studies. The origins of the lack of trust can be traced in part to the many mine closings that are occurring without notice (box 10).

BOX 10: WORKERS AND THE CHERKASOVSKAYA MINE CLOSING

According to discussions with management and workers, in Kuzbass, no notice was given for the closing of the Cherkasovskaya mine. Technical and economic confirmation for the mine closure was given by the Inter-Branch Committee more than one year after the process has started. In July 1994, the director of Rosugol issued a letter authorizing the liquidation of the mine assets. Prior to the receipt of this letter, workers indicated that they were given work assignments over a weekend period to bring up major mine equipment from the underground mine. Workers were told either to "go on a vacation," that they were being transferred to another mine, or nothing at all. The workers noted that the process "was like being shot with a bullet and not knowing it until minutes later." The sudden manner in which the closure occurred also has alarmed neighboring mining communities.

87. Awareness of international organizations and the World Bank also is low in both Kiselovsk and Vorkuta. Few people know about the role of international assistance in transition and sector reforms and those who are informed maintain negative views and have little trust that assistance from such organizations will benefit them directly or indirectly. Although the PPU's efforts during the past several months, especially the participation specialists' efforts, might have changed these perceptions to an extent, it is clear

⁵³ Concerns also exist as to the adequacy of the delivery systems which provide the benefits and services available through the legal social safety net. An in-depth review of the Federal Employment Service's operational capacity in the coal areas is necessary. In addition, there are financial constraints for the employment service. The future financial pressures on the employment fund are not just from the pending coal industry layoffs but will also be from projected increased unemployment throughout the economy. Registered unemployment in 1997 is expected to rise to 3.7 million, a 1.3 million or 60 percent increase from the end of 1995. The funding situation of the employment fund is crucial to the coal sector. Even if tax collection strengthening measures are adopted, the fund would barely be able to pay the unemployment benefits let alone provide proactive labor market services to the redundant coal sector workers.

⁵⁴ The majority of laid-off employees look for jobs independently, and do not apply to federal employment centers. Theoretically, it is better to look for a job via the employment service because the service pays unemployment benefits. Nonetheless, it is hard to actually receive that benefit. For example, a mechanic/operator was offered a job as a tractor driver on the surface; the wage is 5 to 6 times lower than he received underground; he rejected that job and received no benefit as his refusal was considered to be unreasonable.

Figure 11

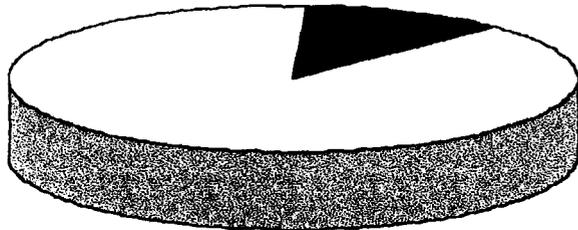


Vorkuta Miners

Vorkuta Non-miners

Do not need government social assistance (9%)

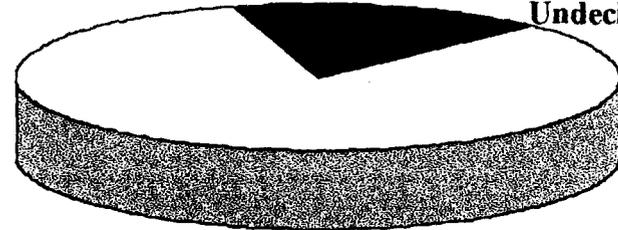
Undecided (3%)



Need government social assistance (88%)

Do not need government social assistance (10%)

Undecided (6%)



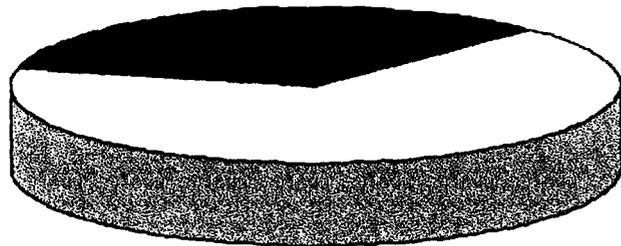
Need government social assistance (84%)

Kislovsk Miners

Kislovsk Non-miners

Do not need government social assistance (25%)

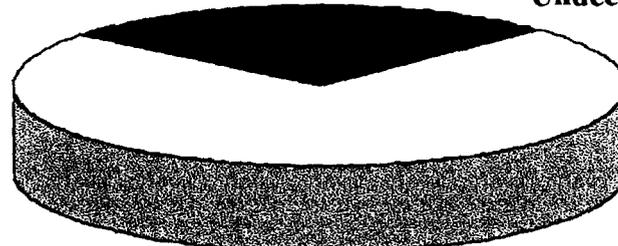
Undecided (9%)



Need government social assistance (66%)

Do not need government social assistance (21%)

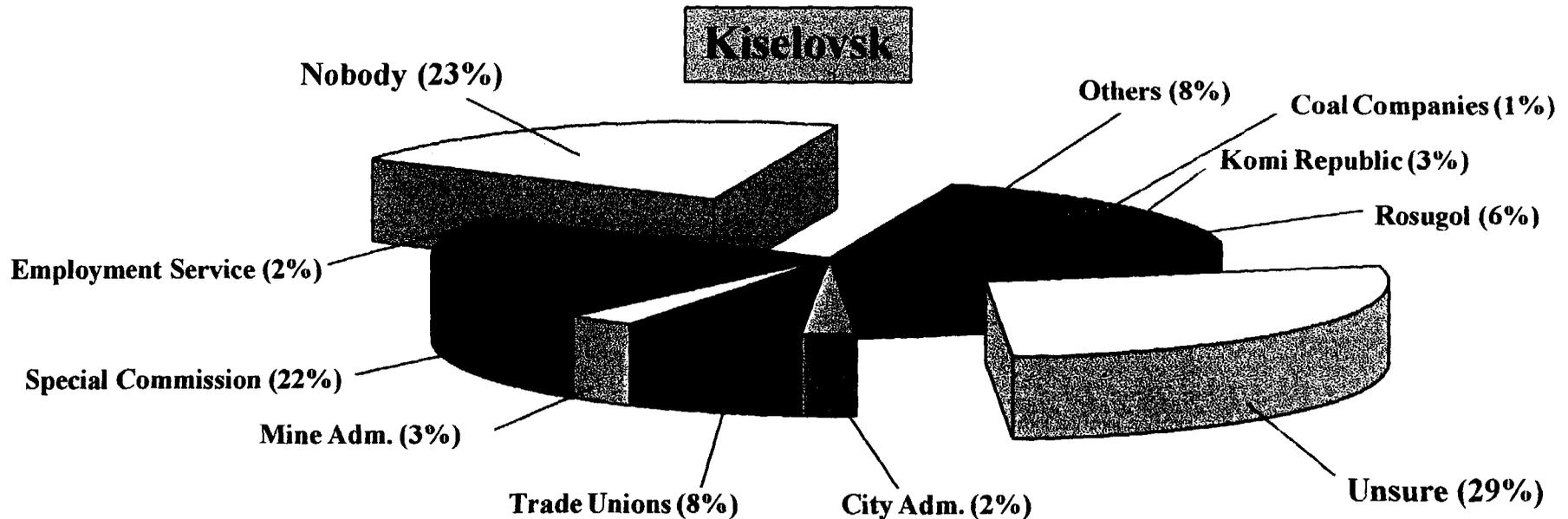
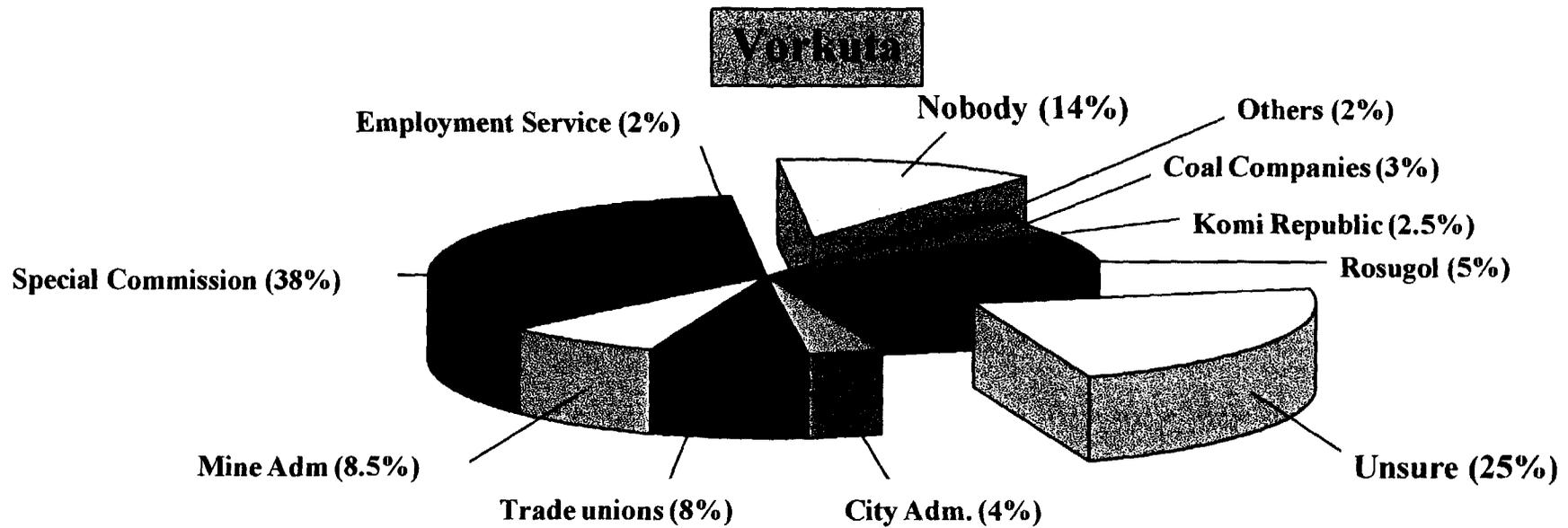
Undecided (6%)



Need government social assistance (73%)

Organizations Trusted to Distribute Money and Benefits

Figure 12



that continuous efforts in this regard are needed.

88. Notwithstanding the general lack of trust in existing institutions, 38 percent of households in Vorkuta and 22 percent in Kiselovsk will trust a multi-stakeholder commission.⁵⁵ If such a commission gains the people's trust in its operations, those who are skeptical and/or uncertain can be convinced to change their views.

89. Recommendations for the Coal Sector Restructuring Program. In light of the pervasive lack of trust, restructuring should be used to establish mechanisms by which the public's voices can be heard in the course of designing, implementing, and monitoring the social impacts of the program.

- (a) **Use a participatory structure such as the Coal Commission to meet existing expectations and broaden the trust in the system.** A detailed description of how such a fund could be established and operated already has been developed by the PPU.
- (b) **Work with the Union of Coal City Mayors to ensure that local level committees are composed of multiple stakeholders.** As proposed in the SA undertaken in August 1995, carrying out this recommendation will generate trust along the lines proposed by the affected populations.
- (c) **Ensure that "continuous social impact monitoring" as proposed is put in place.** This should be carried out by an independent group of experts/scholars.
- (d) **Develop a participatory framework for the coal restructuring process.** Such a framework should take into consideration some of the conflicts among stakeholders and empower affected populations with sufficient information concerning their rights and entitlements. This framework also should be designed to ensure transparency in reform implementation so that all stakeholders can make appropriate changes to their responses to reform. Funds need to be made available to support public information, public relations (PR), and other forms of public participation.

90. The proposed participation activities are based on the results of the SA. Their objectives are to:

- Provide miners, their families, and communities with adequate and timely information about the content of the coal sector reform program and reform implementation arrangements; and maintain and strengthen support for the reform program both in the affected regions and in the country at large.
- Provide miners with adequate information about their entitlements under the restructuring arrangements and mechanisms for legal recourse; ensure transparency in implementation

⁵⁵ Employment service as well as local and regional organizations would not be only part of the multi-stakeholder committees supported by the people. Since these organizations' independent support would also be needed for restructuring, the next phases of SA will attempt to gain a better understanding of the sources of mistrust and how trust can be enhanced. Focus group meetings and other participatory SA instruments would be used for this purpose.

arrangements, help avoid discriminatory practices, and support equitable treatment of all affected social groups (particularly vulnerable groups such as the disabled).

- Clarify the roles and responsibilities of local, regional, and Federal institutions in the implementation of reforms, in the delivery of social safety packages defined by the Government Restructuring Program, and in the provision of services envisioned under the Implementation Assistance Project; help create trust in these institutions; and clarify the supportive roles of the international agencies supporting the Government Restructuring Program and contributing to the financing of the Implementation Assistance Project.
- Facilitate the participation of key stakeholders in decisions concerning the design and implementation of sector reform; and help strengthen the capacity of labor organizations, NGOs and local institutions to ensure that the interests of miners, their families, and communities are adequately voiced and taken into account.
- Support inter-agency commissions at Federal and local levels to ensure that miners and communities are cushioned from adverse impacts of reform implementation.
- Support regional and local governments in managing assets transferred from coal sector associations to municipalities and to initiate locally appropriate actions to respond to reform impacts.

91. The basic elements of the general framework for the participation strategy include:

- Information/communication support, focusing primarily on the empowerment through information of the miners, their families and their communities; support to institutions responsible for the provision of such information; assistance in clarifying their roles and responsibilities; and assistance enhancing transparency in reform implementation.
- Public relations support to create and sustain a constituency for reform and to help broaden ownership of reform objectives; and public and government relations support for legislative changes that may be put in place to enhance geographical and job mobility.
- Support to consultative local institutions representing the interests of key stakeholders, particularly miners and their communities.
- Continuous SA and social impact monitoring to have feedback from the most directly affected populations.

92. Specific actions to support the objectives and general strategy of participation is presented below in terms of institutional arrangements and may include support to the Inter-Agency Coal Commission (ICC), local governments, trade Unions, NGOs, and private coal companies.

93. NGOs and unions need seed money to facilitate their organizational growth and to support their own programs. Formal requests, therefore, should be made to Unions, municipalities, NGOs, and private

coal companies to put forward formal requests for the use of funds allocated for their support. Because the Ministry of Economy is the Secretariat for ICC, the PPU could prepare the ICC proposal.

94. **Public Relations.** The information and communication requirements of each group of stakeholders are different; consequently, the messages, use of the media, medium of communication, and the feedback mechanisms to be set in place differ substantially from one group to the other, as summarized below. They should be designed in detail by the participation/information specialist(s) of the PPU during project preparation. The primary objective of the PR functions should be to establish a constituency for coal sector reform and to ensure that the proposed donor support to the Government's program is consistent with the Basic Trends document. The main target groups for PR activities (including political lobby functions) consist of: (a) the public at large (through the national and regional/local media), (b) senior policy makers (Duma and other federal ministries through the Inter-Agency Coal Commission), and (c) unions. The implementation of these functions through the media at the national and regional/local levels will be costly. The establishment of a Coal Sector Media Network during the program preparation stage (through the communications specialist recruited to the PPU) is advisable so that PR functions could be sustained and expanded during program implementation. Specific PR activities could consist of:

- (a) Familiarizing the public with the **Basic Trends** document after its appropriate clarification and amplification; explaining Government's coal sector restructuring program and showing how the people will be protected once the restructuring program is systematically launched.
- (b) Familiarizing the public with the costs of "no restructuring" or delayed restructuring.
- (c) Making public the establishment of the mechanism for restructuring subsidies and showing how these subsidies will reduce practices that leave the workers, their families, and the communities unprotected.
- (d) Defining the role of the donors in supporting the restructuring program as well as documenting and making clear that external support to the program, including from the World Bank, emphasizes support of the social safety net elements (for example, facilitating transfer of social assets in a manner consistent with interests of the affected families, supporting community-based programs to enhance employment and generate development within the coal basins, establishing policies to remove constraints to labor mobility, ensuring that while subsidies to the sector are reduced, remaining subsidies will be used for worker protection).
- (e) Providing information on international experience in responding to coal sector restructuring.
- (f) Preparing fact sheets and press releases on a regular basis.
- (g) Identifying and undertaking high level lobbying in supporting the proposed modalities for coal sector restructuring.
- (h) Evaluating the positions of both unions and formulating a PR approach to respond to their concerns (especially those pertaining to the role of the subsidy restructuring, Rosugol, regional mining associations, and local participatory schemes).

95. It is important that relationships with trade unions are not confined to PR activities; as outlined below, close collaboration with the unions will be needed to launch the reform and ensure that miners, their families, and members of affected communities are protected. Consultation requirements for loan preparation could consist of: (a) bi-lateral discussions and (b) a workshop with ample media coverage to clarify arrangements for Government's coal sector restructuring program and proposed modalities for donor support to the program.

96. Participation requirements for restructuring cannot only be confined to public relations (PR) functions which consist of one-way flows of information from policy makers to generate public support for the sector restructuring program. Other potentially more important functions of the participation as well as information and communications activities to support project preparation and implementation are to: (a) ensure that those typically "voiceless" are empowered and have a clear understanding of their entitlements and prospects for re-adjustment, and (b) clarify stakeholder responsibilities so as to facilitate worker and community access to restructuring programs. This integrated approach to participation will allow efficient functioning of the scheme for restructuring subsidies, ensure continuous support to the Government coal sector reform program, and enhance governance in restructuring implementation.

97. For each group of stakeholders, an appropriate participation framework should be formulated. The framework should ensure that the interests of each group are taken into consideration in project design and implementation. The following forms of participation are recommended for the following main groups of stakeholders:

- (a) **Miners and their Families.** While miners are the most directly affected by the coal sector reform program, they have very little information about the reform agenda and its potential effects on them. The most basic and immediate measure to be taken to ensure that miners and their families are protected in the course of sector restructuring is to provide them with information and to establish feedback mechanisms so that the sector managers receive information from them on whether the resources intended to compensate workers do indeed reach them. Several types of information are needed by miners:
- Full list of entitlements under the Law and various decrees and tariff agreements, including pension levels, lump sum arrangements, etc.; workers should also be informed about their entitlements concerning legal notice requirements concerning mine closures.
 - Status of policy debate about key issues of concern, including whether or not miners from Northern areas can receive their pension payments with the coefficient should they live elsewhere.
 - Clarification of status of relocation promises.
 - Progress of restructuring in the sector, emerging problems and proposed measures to deal with them.
 - New opportunities offered by restructuring subsidies (such as job placement, counseling,

micro-enterprise developments, etc.) and by other agencies designed to create alternative job opportunities, including transparent possibilities of placement in operating mines.

- Rights and responsibilities of institutions involved in the execution of the Government restructuring program, including the Ministry of Economy, the Inter-Agency Commission, Rosugol, regional mining associations, unions and managers of individual mining enterprises.
- Mechanisms of recourse if at any time social assistance mechanisms fail.

Vulnerable groups. While the restructuring agenda may focus on active workers of the mines, the problems of vulnerable groups, such as the disabled, cannot be ignored. It is therefore critical to undertake a comprehensive review of issues of concern to these groups and identify and communicate solutions.

Communities. There are several community specific issues of concern to the restructuring process. These affect the consideration of the social safety net for miners, constituency formation for the reform program as well as being directly relevant for labor productivity in viable mines. The issues include:

- (a) management and operation of social assets especially in isolated communities with heavy reliance on individual mining enterprises to be closed down;
- (b) impacts on workers and families not employed in mines, but supporting the mining operations;
- (c) entitlements of vulnerable groups who rely heavily on mines; and
- (d) new infrastructure, including transport, that needs to be provided to some of the isolated mining communities so that their workers could maintain their access to their homes when they take up employment in other mines or sectors outside their communities. Currently, there are no estimates for these social costs, nor is there sufficient dialogue on the issues themselves. Consequently, there is need for public debate on these issues such as inviting proposals from local communities to deal with issues of asset transfers and infrastructure requirements.

Trade Unions. Trade union participation in all aspects of the coal sector restructuring program is critical. The unions must have a good understanding of the goals, responsibilities, and limitations of the restructuring program, and receive timely and regular information on its implementation. Equally important is close collaboration with the unions with respect to the social and environmental monitoring of the restructuring activities. Collaboration also is desirable in the empowerment of the workers on issues outlined above and setting up feedback mechanisms to respond to emerging issues. The Inter-Agency Commission also may wish to consider direct collaboration with the Union in specific information/communication areas, including the joint preparation and dissemination of information relevant to miners. For effective implementation and for the success of the restructuring program, full ownership by the unions of the principles is

important.

Local/Regional Governments and other Local Institutions. Local government involvement is important for two reasons: (a) municipalities or regional governments are expected to assume housing, infrastructure, and some other productive assets belonging to coal companies, but institutional and financial capacity for these new responsibilities is restricted. In their new roles, the local institutions may need information support and this has to be assessed during loan preparation; (b) community-based social problems that arise as a result of the restructuring program require local and participatory solutions. While information from these local agencies is needed, it is important to build capacity at the local level to ensure that proposals are technically, socially, and financially sound before submission to the Inter-Agency Commission.

Mine Managers. The lessons learned indicate that mine managers should be clearly informed of the procedures to be set in place for restructuring implementation. Principles concerning payment to workers, legal notification requirements, mine closure procedures, and liquidation of social assets should have greater clarity and transparency.

Regional Mining Associations and Rosugol. The current roles of Rosugol and the regional associations are being redefined. In addition, there are indications that some of the individual mines are in the process of redefining their relationship with the regional organizations. Mechanisms of information exchange, cooperation, and collaboration with these parties are important to develop.

Interagency Coal Commission. The Commission presently incorporates a participatory framework for defining the coal sector reform agenda and its pace. There are several key issues identified in this early stage of SA that require review and call for the preparation of concrete proposals which can be supported by the Commission. These include:

- (a) Regional variations in legal entitlements of mine workers and the political/financial difficulties entailed in the application of differential treatment to workers affected by the restructuring program in different coal basins.
- (b) Legal difficulties in the transfer of entitlements recognized under the law from one region to the other.
- (c) Lack of adequate knowledge and policies to deal with community wide impacts of restructuring.
- (d) Sharp differences in stakeholder interests and unclarity in institutional arrangements.
- (e) lack of legal mechanisms to honor pensioners rights whether they stay in their original communities or opt to move out of the coal regions.
- (f) legal rigidities that hinder labor market and housing mobility.

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Sampling Method

Data on Pre-Selected Participants

1. The survey sampling criteria requires a survey pool in Vorkuta and surrounding towns of about 400 respondents, 300 of which should reside in mining towns and 100 of which should be city residents. Selected participants should be adult residents of Vorkuta and surrounding mining towns who fall under the city's administration. Vorkuta's total population as of September 1, 1995 (according to the city administration's most recent data) is approximately 192,100; 137,400 residents are over 18 years of age.
2. A three-step systematic sampling process was used. The first step was to select the towns in which the survey would be conducted. As the suggested survey size was not too large, it was determined that the pilot survey would be conducted in two mining towns. The program directives required the inclusion of Vorkuta in the study as well. Among the mining towns, Oktyabrski and Sovetski were selected as the most typical in terms of distance from the city, population, and that both are located near closing mines. At the same time, however, there are some principal differences between the towns; while Oktyabrski is not seen as viable and the relocation process already begun as hopes of improving living conditions have been abandoned, Sovetski is better-equipped and will not be subject to closing, according to city administration.
3. In order to obtain comparative data, the same number of people would be surveyed in each mining town; 150 residents in each. In Vorkuta, 100 people would be interviewed. At the first stage of sampling, typical towns were selected. The second stage of sampling was based on voting districts (as each of the selected settlements is a voting district). In Vorkuta there are 31 voting districts.
4. Each interview had a list of 20 people in a selected voting district so as to avoid cross-surveying. The number of respondents in each district was the same because the number of registered voters in these districts was approximately the same (2,000-2,500 people). Therefore, five voting districts were selected in Vorkuta to survey 100 respondents.
5. All voting districts are numbered and the numbers increase depending upon location (from the railway station to new districts of the city). Every sixth district was selected (districts #5, 1,17, 24, 31). Thus, at the second stage of sampling, a systematic sampling with even distribution was applied. The sampling based on voting districts provides for even distribution of respondents as these districts were formed according to population density.
6. For the third stage, a systematic sampling was applied (selection of respondents within voting lists). The list of registered voters over 18 containing names, addresses, and dates of birth were used. The full name and address of respondents were put in data sheets for pre-selected participants (date of birth was not put in data sheet for pre-selected; the interviewer had to find it out so that the supervisor could check to see if the participants were interviewed). For systematic sampling, the total number of registered voters was divided by the number of people to be surveyed.
7. For example, the number of voters in Oktyabrski settlement (excluding military regiments and

hospitals) is 1,3555. To prepare a list of 150 respondents, every ninth person was selected (1,355: 150). There also was a list of extra names (this made the total list 1.5 times larger than the initial list) in cases when a person was on vacation, in the hospital, moved to another place, died, etc. The lists which were used for sampling were based on the results of the January 22, 1995 election. Every sixth adult resident of the Oktyabrski settlement was selected in the list of respondents.

8. In the Sovetski settlement, there are 4,046 voters. to make a list of 150 respondents, every 26th person was selected (4046: 150). Including a list of extra names, every seventeenth person was selected. In Vorkuta, the sampling was based on the same principles: 30 people from each voting district (plus a list of extra names); in different voting districts every 89th, 85th, 73rd, 74th registered voter was selected. All selected voters are evenly distributed throughout the voting district.

9. All data sheets for pre-selected participants contained full names and addresses including extra names. The names on the main list were substituted for extra names in a number of cases (for example, refusal to answer, sickness, death, long-term absences). Using the three stages of systematic sampling resulted in a good representativeness within the total number of Vorkuta Population and population of the settlements. If we assume that the suggested sampling is equal to random sampling (which is possible considering the method), then the planned average/standard deviation is 2.5 percent. The maximum deviation is 4.9 percent for the level of significance 0.05.

10. Sampling in Kiselovsk was carried out in the same manner; a systematic sampling using voters lists was applied. Initially, the settlements close to the closing mines (Surtaikha and Cherkasovskaya) were selected. Unfortunately, the lists did not reflect the full reality of the current setting as they were compiled during the elections of 1993. Nonetheless, there were no other lists that could be more precise. One hundred fifty in the selected settlements were to be surveyed as well as 100 people in other districts of the city. This reflected the structure of the population of the selected districts. The results, however, require some explanation. First, there was a correlation among age groups; half of the population is over 56 years of age because these settlements are the oldest in the city. They were constructed in the 1940s and 1950s and housing there is of a low standard. Young families have moved to new districts of the city; only those who settled long ago remain in the settlements.

Sampling Restrictions

11. In sampling participants, we used voters lists of January 1995. Subsequently (within the next eight months), some people reached voting age, or some registered voters died. Consequently, the majority of participants selected are middle age.

12. So called "closed districts were not included in the lists (military zones, hospitals) for two reasons: (1) military officers are not permanent city residents, and hospital patients do not represent a constant category and so not live there, and (2) patients' lists of these segments of the population are not available, and those available do not contain addresses. Prisoner lists of those now serving in the city were "closed" and not available. Others who are not included in the lists are mentally retarded individuals and people without a permanent address.

13. Systematic sampling based on voter registration lists assumes that families with many children

(2,3,4, and more) are presented more frequently on the lists. As there was no statistics on categories of the population that fit into these groups, it was impossible to estimate the level of the sampling deviation. Even considering the existing survey restrictions, however, the results received will be true for all families in Vorkuta within the representativeness deviation mentioned above.

Vorkuta: Regional Specifics

14. Representativeness of the survey reveals some social and demographic aspects of the selected group which are typical for the Vorkuta population as a whole. The settlements selected are "typical;" the data received is from miners' settlements surrounding Vorkuta which will be greatly influenced by the restructuring process of the coal industry.

15. Vorkuta itself has other industrial enterprises, administrative organizations, several high educational institutions, and vocational schools. The experts visiting the region noticed that people born in Komi or Vorkuta are more "settled" than people who moved to Vorkuta for high salaries.

16. Interviews with local experts showed that there were certain differences between the selected settlements. In some of the settlements (for example, Sovetski), housing is of a relatively high standard -- new buildings with all conveniences, and a developed social and cultural infrastructure. By contrast, Oktyabrski settlement is an example of a settlement with poor housing conditions. The majority of families live in barrack type housing where there is no sewerage throughout the settlement.

17. According to statistics, Vorkuta is noted by its negative population growth. People of working age move to other regions of Russia where the climate is better. The population of the settlement near Vorkuta differs from that of Vorkuta City. The main difference is determined by the employment structure. The survey revealed that the settlements greatly depend on the mines. The number of miners' families in the settlements is three times higher than in the city.