

## Ukraine: the miners' great depression

**In 2005, 157 people died and 7768 were injured in Ukrainian mines, owing to a lack of investment to prevent dilapidation and making Ukrainian mines some of the most dangerous in the world. Thousands of retired miners, unable to live off their ludicrously small pensions, continue to go down the pits every day, whilst women and children toil in the clandestine mines found close to the surface. All this takes place under the gaze of unscrupulous businessmen who have become powerful "oligarchs" by exploiting the numerous flaws in the Ukrainian authorities' management of the mines.**

**Whilst the recent interruption of Russian gas supplies to Ukraine is reviving trade unionists' hopes that black gold and their labour will form the basis of the country's future self-sufficiency in energy, this briefing sheds light on the disastrous social situation in the coalmining region of Donbass in southeast Ukraine where whole towns have been fearful for their future since the closure of the pits.**



# Ukraine's miners hold on to hopes for a future

**Does Ukraine need to count on its huge coal reserves to free itself of its dependence on Russian gas for fuel? This is the view held by the miners of Donbass, who have seen their living and working conditions plummet since the end of the Soviet era. They all share the hope that the Ukrainian government will finally start to manage its coalmines more shrewdly.**

**T**he crisis generated by the disagreement between Russia and Ukraine over the price of the gas paid to the Russian giant Gazprom has rekindled hopes for the future in the coalmining region of Donbass, in the southeast of Ukraine. On 1 January 2006, Gazprom had cut off its supply of gas to Ukraine following the latter's refusal to accept a price hike of between 50 and 230 dollars per 1000 m<sup>3</sup>. The Energy Ministry immediately notified the three power stations in the Donetsk and Kharkiv regions (eastern Ukraine), informing them of a probable reduction in their supply. *"They have to be ready to replace gas with coal, and to use just a small amount of gas to improve the fuel,"* a ministry official had told AFP, explaining that this procedure would drastically reduce the amount of gas consumed by these power stations.

Although Kiev and Moscow later came to an agreement to resolve the crisis (1), the debate over fuel independence in Ukraine had been reopened. For years, the trade unionists of Donbass have been calling for a complete review of Ukraine's policy aimed at doing away with the coalmines as quickly as possible. In their view, the huge reserves of coal Ukraine has in its subsoil should encourage the government to intensify its efforts to modernise the mines that have not yet been privatised. They argue that in this way Ukraine could limit its dependence on Russian gas for fuel.

*"At present, Ukraine is only able to supply 40% of its energy needs,"* says Leonid Davydov, vice president of the Central Committee of the Ukrainian Trade Union of Coal Industry Workers (2). *"Coal has a key role to play if Ukraine wants to become self sufficient in terms of energy, as it represents 94.4% of the fuel re-*

*sources within our country (the rest being shared between gas (2.6%) and oil (2%)). We have enough coal reserves to last for several centuries. It would cost Ukraine less to invest in the development of its mines than to continue buying Russian gas at a high price."*

## UKRAINE'S INHERITANCE – DILAPIDATED MINES

The economic and ecological challenge of returning to coal to produce electricity is hindered by one sizeable obstacle: most of the mines still operating in Ukraine are obsolete, dangerous and badly managed, a situation which is by no means new. *"The development of the coalmining industry in the Donbass region dates back to the 19th century. It was pursued until the Second World War, when the Soviet Union decided to promote the development of the mines in Siberia, where better quality coal could be extracted at a lower cost. Over the twenty years that preceded independence in 1991, the maintenance of 80% of Ukrainian mines was neglected. This is the situation Ukraine inherited on gaining independence in 1991,"* explains Valery Mamchenko, first vice president of the Central Committee of the Ukrainian Trade Union of Coal Industry Workers.

None of the governments that have ruled Ukraine since 1991 have devoted sufficient budgetary funds to renovating the coalmines. *"Massive investments were needed to put the mining industry back on track, but the government had other problems to deal with, other priorities,"* explains Anatoliy Akimochkin, vice president of the KVPU (3). *"On top of that, the money earmarked to help this sector was misappropriated; it wasn't invested in the mines. Even the funds allocated for the closure of the mines were embezzled. As a result, not a single Ukrainian mine was closed in conformity with the safety regulations. There have been ecological disasters; water and gas have escaped from the subsoil and reached as far as the cellars of people's homes, causing explosions in a number of buildings."*

## A REGION OF "DEPRESSED" TOWNS

There were 1.2 miners in Ukraine when it became independent in 1991. Today, there are only 300,000. *"The closure of around a hundred mines since independence has led many workers to leave the country. This has contributed to a fall in the population of Ukraine from 52 to 47 million,"* explains Anatoliy Akimochkin. The mining towns in the east of the

Donetsk province (such as Torez, Shakhtarsk, etc.) are often referred to as "depressed towns": the closure of numerous mines, coupled with the end of the services they used to offer the population (road maintenance, funding for schools, nurseries, etc.), coincided with pay cuts in what remained of the mining industry, resulting in an exodus of thousands of people to look for work in other parts of Ukraine, Russia or Western Europe. *"A town like Snezhnoye, 90 km east of Donetsk, had a population of 100,000 inhabitants just seven or eight years ago. Now there are only 68,000,"* explains Naumova Elena Viktorovna, regional head of the Sobor political party in Donetsk. *"Many left for Russia, to work in construction, or as prostitutes, etc. There is no longer any real work in these regions, especially for women."* The industries still operating in Donbass (metal, chemical, etc.) are not able to absorb the mass of people who have lost jobs in the mining industry.

It would undoubtedly never have come to this if the State mines had been properly managed since Ukraine's independence. Unscrupulous entrepreneurs have made huge fortunes by taking advantage of corruption amongst the Ukrainian authorities. *"The oligarchs have long laid down their own law in the State mines,"* points out Anatoliy Akimochkin. *"They would buy the coalmines at the price they wanted and clean them out by making coke for the metal industry. They even managed to use their connections in high places to take decisions in the name of the director of such and such a mine. In April 2005, the government tried to change the stakes by increasing the price of coal by 50%. Although the price was still below the normal market price, the oligarchs made a pact to stop buying coal in Ukraine and to buy abroad, mainly from Russia, who agreed to sell it at a reduced rate for two months (in the hopes that the Ukrainian mines would collapse). The situation was untenable for Ukraine's State mines, and in July, government representatives finally had to accept a compromise during a meeting with the oligarchs. They agreed to a price increase lower than that wanted by the government."*

## THE BEST STATE MINES PENALISED

Adding to the State mine's already serious problems arising from the inadequate price paid for their coal, until June 2005 they were also forced to buy their equipment at very high prices. *"Our mine is part of a group of State mines called 'Donetsk Ugol', which we*





*Donbass miners are suffering from the atrocious management of the nation's mines.*

*have to go through to buy our equipment," explains Zaitsev Nikolay Nikolayevich, trade union representative at Juzhnodonbasskaya mine no. 3, 70 km south of Donetsk. "It is also Donetsk Ugol that buys our coal from us, to resell it at a higher price. The profits are then shared with the other much less lucrative mines within the group. Our mine, a recent one, is not allowed to sell its production or buy its equipment itself, and has to watch a large part of its profits being used to keep other mines alive rather than for its own development. It is the government that appoints the director of this entity called Donetsk Ugol."*

The number of mines owned by the State is too high for the Ministry to manage them alone from Kiev. Consequently, it has created entities such as Donetsk Ugol, which group several coalmines with different production levels (differences that can be explained by their geological location, their age, etc.). This system balances out the profits, but is detrimental to the most lucrative mines. Up until last year, these entities were under an obligation to buy equipment in Ukraine, to support local production, in theory. In reality, however, the companies selling this equip-

ment had a monopoly in Ukraine, were imposing whatever price they please and, until recently, had sufficient sway with the authorities to ensure it stayed that way (the oligarchs play an influential role in these companies). Last year, the government elected following the Orange Revolution decided to open up the purchase of mining equipment to foreign competition, which it is hoped will lead to a fall in prices.

The poor management of Ukraine's coalmines prior to independence and the difficult geological conditions (given the depth of the mines) go some way towards explaining why the cost of operating these mines is often higher than the revenues from the sale of the coal. But some errors would take no time to fix. "It is not uncommon for several workers to receive a salary from a State mine without ever working there," denounces Naumova Elena Viktorovna. "The mine director or another influential figure requisition them to build their house, do repairs... At one stage, the oligarch Rinat Akmetov had managed to pass off the players in his football club, Shakhtar Donetsk, as mine employees. All of this obviously affected the wages of the real miners."

The Ukrainian authorities have devoted considerable funds to the economic revival of these areas where numerous mines have been closed down, but corruption is also behind the absence of any really convincing results. "Money was given to create jobs in companies that didn't exist," underlines Anatoliy Akimochkin. The Ukrainian government claims to be more optimistic about the future: "Our main aim is to try to develop small and medium size enterprises in the areas affected by the mine closures," explains Volodymir Novikov, deputy minister of fuel and energy. "The main form of support we offer is loans at preferential rates, the interest being paid by the authorities. Having said that, it has to be recognised that a large portion of such funds has been lost to corruption. We are currently in the process of establishing stricter conditions for the allocations of these funds, so that the decision is not in the hands of a lone bureaucrat." ●

- (1) an agreement that finally prompted a vote of no confidence in the government, resulting in the holding of general elections.
- (2) a member of the FPU, a federation affiliated to the ICFTU.
- (3) a confederation affiliated to the ICFTU.

# Coal industry overlords' dirty deals

**The State's attempts at privatising Ukraine's coalmines have often profited unscrupulous businessmen, turning them into powerful "oligarchs". Having made their fortune, they are now investing in their own businesses. The miners, for their part, continue to die on the job in the bowels of the earth.**

**T**he Ukrainian government's aspiration is to privatise all the coalmines in the country, yet only 10 out of 167 mines are in the hands of serious private investors, who have snapped up the youngest and best maintained mines with the most advantageous geological conditions, in other words, those requiring next to no investment to be profitable. Conversely, in the case of the older, less well-maintained mines, it is extremely difficult to find serious businessmen who are prepared to invest in them: the amount of money that would have to be spent to bring them up to scratch is huge and the returns would not be seen for several years. "The State is the most suitable owner in the case of coalmines," says Valery Mamchenko, first vice president of the Central Committee of the Trade Union of Coal Industry Workers of

Ukraine (TUCIWU). "Although there are huge coal reserves in our subsoil, enough to make Ukraine independent from Russia in terms of fuel supplies, massive investments are needed and the returns will only appear after five or six years. Investors are not interested in such timeframes. 1.5 billion hryvnias (250 million euros) are needed to build a new mine."

Leonid Davydov, vice president of the TUCIWU Central Committee, underlines the absurdity of the privatisation process: "Why not just privatise the mines that work well? Just for the oligarchs, who choose the best mines and then pull out as soon as they become less profitable?" Indeed, unscrupulous entrepreneurs have bribed their way into the mining business to squeeze as much money as possible out of it. "During the latter half of the nineties, a number of mines were 'leased' to bogus investors who capitalised on the price differences: they would sell equipment to the mines at an exorbitant price in exchange for coal that they would resell at a high price to electricity producers, for example. They would generally sell poor quality equipment to the mines and take possession of their good machinery. Once the mines were left with nothing of any value, they would declare bankruptcy and sell them back to the State," explains Valery Mamchenko. "As of the late nineties, the privatisations were better regulated. The private mines now extract 40% of Ukraine's total coal production."

The oligarchs who made it rich

thanks to such rackets carried out in collusion with the authorities are now turning towards more legitimate business activities. "The oligarchs who made huge sums of money during the transition, from the mines, for example, are now investing that illegally earned money in other industries, such as chemicals (previously, all the money would leave for Western European banks). Some are investing in football clubs," remarks Valery Mamchenko. Several of the Donbass region football clubs taken over by oligarchs (Shakhtar Donetsk, Metallurg Donetsk, etc.) have made remarkable progress in European competitions over recent years. They pay handsome salaries to attract relatively big-name players, and thus create a respectable image for themselves. "No one knows the amounts paid out to buy these players, the taxes are not paid," says Anatoliy Akimochkin, vice president of the KVPU trade union confederation. "It's a very dangerous business. A journalist who was writing about these dealings was killed."

The chief victims of these rackets are, of course, the mineworkers and their families. Whilst their employers and elected representatives were filling their coffers at the expense of the coalmines, the miners were either losing their jobs or slaving away hundreds of metres below ground in conditions made all the more dangerous by the supply of poor equipment. Some have paid with their lives.

## A mine at the bottom of the garden

**The decline in the mining industry of the Donbass region has led to the proliferation of clandestine mines. Former miners, women, and sometimes children are exploited in mines constructed without the least respect for safety regulations.**

**"I** had to leave my job as a miner following an accident that left me with an incurable lesion on my left eye," explains a worker employed at an illegal mine in Snezhnoye, in eastern Donetsk. "I'm prohibited from working in a normal mine because of this handicap. Yet, in spite of this accident, my pension is not even half the amount needed to ensure a decent standard of living for my wife and child. I've looked for jobs elsewhere, but there's an economic crisis here, so I've had

to agree to work in this undeclared mine where I earn 400 to 500 hryvnias a month (60 – 80 euros), depending on the production level."

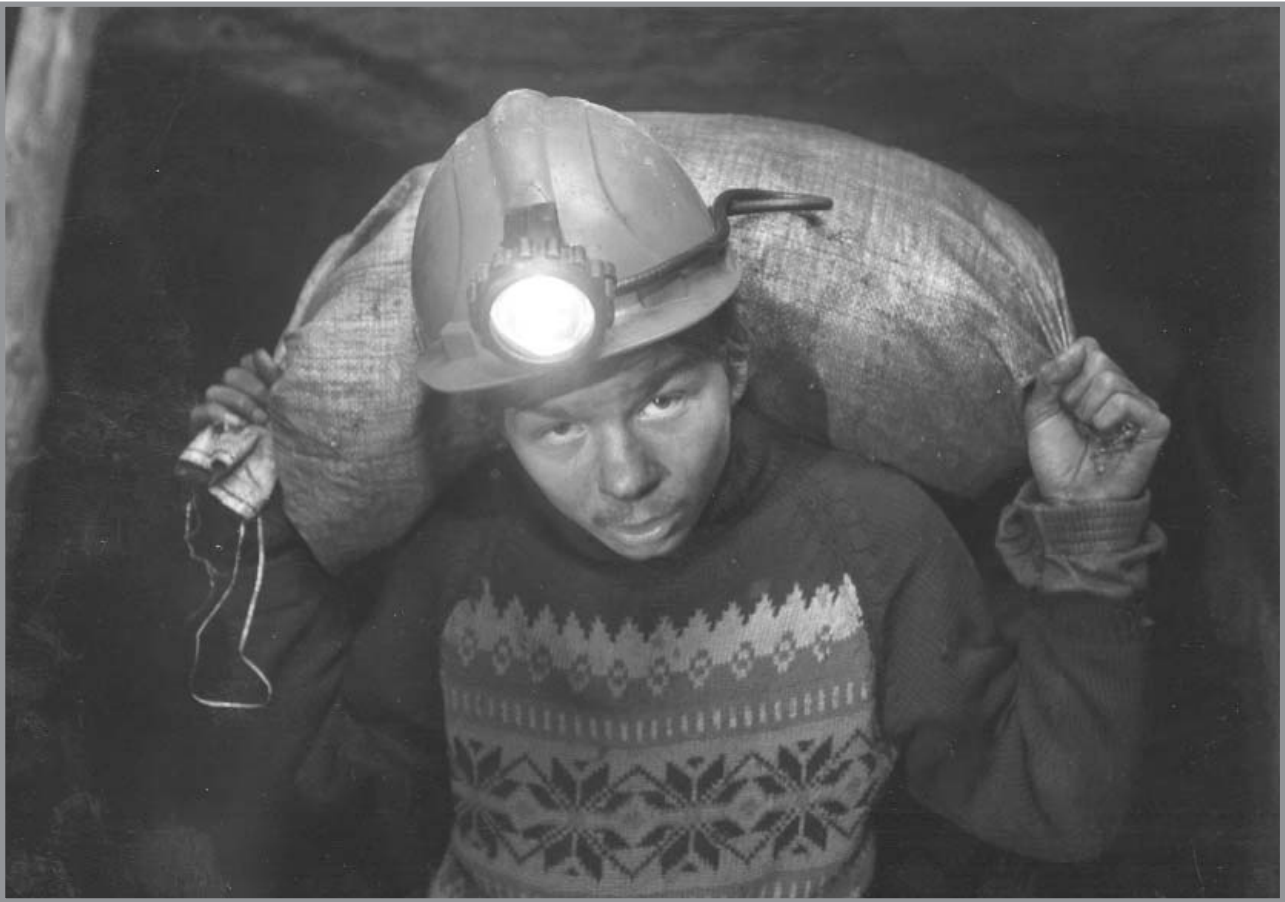
Clandestine mines already existed prior to Ukraine's independence, but they have seen a strong increase in numbers with the economic difficulties that have led to the closure of many legal mines in the Donbass region. Such mines can come into being wherever the coal is close to the surface. Some are dug in the backs of gardens, in yards, woods, near roadsides, etc. The collusion of the local authorities is essential. "Just a few people are needed to operate a small illegal mine, but 'protectors' are also required. They may be politicians, police officers, company directors or any influential person," explains Anatoliy Akimochkin, vice president of the KVPU trade union confederation. "There are occasions when people start to dig a mine without paying these protectors, but as soon as they're found out they are ordered to 'collaborate',

that is, to pay them off. They risk serious problems if they refuse."

Some illegal mines are operated by families, without the help of outside workers, whilst others are more developed and "contract" miners clandestinely. As most mine operators have few scruples regarding the age of the miners, in some instances they even employ young children. "I have already seen women and children as young as eight working in clandestine mines," explains Anatoliy Akimochkin. "We are working with the ILO to raise awareness among as many people as possible regarding the urgent need to eradicate all forms of child labour." Some children only sort the coal, but in many cases they are also sent down the mine.

### NO VENTILATION OR EMERGENCY EXITS

The work in clandestine mines is generally much harder, as it is done by hand with the help of only primitive



*Women and teenagers sometimes work at the coal face in clandestine mines.*

tools. Deprived of any form of protection, such as a contract or a union, the workers at these mines are at the total mercy of their employers, who can bring an end to their "collaboration" from one day to the next. There are no set working hours and no safety measures - no emergency exits, no ventilation, no gas detectors. As illegal mine operators pay no taxes and invest nothing in health and safety, some offer higher wages than those paid in the State mines, and the workers are paid daily or weekly rather than monthly. In spite of the dangers, these financial advantages manage to attract numerous miners: "Many leave the State mines for the illegal mines. There are jobs on offer here, but no takers," explains Vitali Stepanovich Kontsurak, a trade union representative at a coalmine in the Donetsk region.

The dangers linked to clandestine mines are not limited to the workers who go down them - they can also result in landslides, as they are dug close to the surface (six to eight metres). "Those who open clandestine mines do no real geological research to determine where they can dig," explains Naumova Elena Viktorovna, head of the Sobor political party for the Donetsk region. "They ask former miners for the plans of the subsoil, look for the veins close to the surface, and start to dig. They neglect the ventilation of

*the mine (which increases the risk of explosion), they use poor quality wood to support the galleries, and so on. Corruption can lead to serious disasters. In Snezhnoye, for example, someone had dug a mine parallel to the main road; it passed under a restaurant and the building that houses the city's collective heating system. It was obviously a source of great danger, with the risk of a gallery collapsing following an explosion, for example. A local attorney was protecting the operator. I had to threaten to have all the mines paying him bribes shut down in order to force him to close this dangerous clandestine mine."*

#### **COAL PRODUCED CLANDESTINELY ATTRACTS MANY BUYERS**

The coal extracted from illegal mines is easy to sell. "The coal is good quality, as it is extracted by hand and is inexpensive, given that the operators do not respect any rules. Part of the coal from illegal mines is sold at night to small intermediaries who sneak it into their private vehicles. Other businessmen buy old mines on the verge of closing down from the State. They do not exploit these mines, or not entirely, but buy the coal from illegal mines and resell it as coal produced by the old mine," denounces Valery Mamchenko, first vice president of the Central Committee of the Ukrainian Trade Union of Coal Industry Workers.

The sale of high quality coal at a cut price also suits the people living in these regions. Elena Viktorovna: "The price of coal is too high for people: the basic pensions start at 320 hryvnias a month (52 euros), yet coal costs around 360-370 hryvnias a ton, and three to five tons are needed every winter. Elderly people do not buy their coal by the ton but in small quantities, including from illegal mines. It is not normal that the minimum pension should be lower than the price of a ton of coal."

The Ukrainian government that emerged from the Orange Revolution is taking a tougher line with illegal mine operators. Many have been closed down, but there are still over 800 across the country, extracting between 30 and 40 000 tons of coal a month, according to the official estimates of the ILO (International Labour Organisation). They are better concealed than before and generally operate at night to avoid inspections. What could be done to eradicate this type of informal activity? "Although we are opposed to clandestine mines, there is not enough work for everyone in the regions where they are located," recognises Anatoliy Akimochkin. "So these mines need to be legalised, so that their operators are forced to respect the law and pay their taxes. When the authorities simply shut down a mine, ten new ones open up elsewhere." ●



# Four deaths for every million tons of coal

**Ukrainian mines are among the most dangerous in the world. Over 3500 miners have died in mining accidents over the last fifteen years. Contributing to these disturbing figures is the production-based pay system, the obsolete equipment and the poor management of the mines. Whilst younger workers are turning away from this tough and poorly paid profession, retired miners are having to go back to the pits to make ends meet.**

Upon a Ukrainian miner if there has been an accident in his mine this year, he replies with a tap of the finger on the table, a little gesture meaning "touch wood: we have been spared so far ... let's hope it stays that way".

Ukrainian mines are among the most dangerous in the world. According to the official figures for 2005, 7768 workers sustained mining injuries, 157 of which were fatal. Since Ukraine's independence in 1991, over 3500 people have died in the coalmines. "Nowadays, an average of four workers are killed for every million tons of coal extracted in Ukraine," explains Anatoliy Akimochkin, vice president of the KVPV trade union confederation.

There are several reasons behind the huge rate of accidents in Ukraine's coalmines: the age of the mines, the unfavourable geological conditions (depth, presence of methane, etc.), the poor maintenance and the pay system. The miners are not paid by the hour but for the number of tons extracted, with the profits being shared out according to each miner's level of qualification. As a result, some tend to neglect the safety regulations in order to produce more. "The miners are not paid for the number of hours worked but for the amount of coal extracted. Consequently, respect for the safety regulations is not their main concern," admits Filimonchuk Vladimir Nikolaevich, an engineer at the mines near Donetsk. "If they earned a 1000 or 2000 euros a month, they could think about safety, but under the current system, they can only afford to think about producing. There is growing apathy among the miners: their profession is losing its prestige; their salaries are so low that they live from month to month, not knowing what the next one will bring; they

no longer feel involved in the future of their mines."

## UNFILLED VACANCIES

A system of fines has been set up in the mines to discipline the workers who neglect the safety regulations, but the accident rate remains high, partly owing to the shortage of qualified labour. The terms of employment offered by the mines no longer attract young workers, whilst the older ones are retiring or being transferred to jobs at the surface. In the Donbass mining region, in southeast Ukraine, hundreds of underground mining posts remain unfilled. "A mining job used to be well-regarded during the Soviet era; some miners were able to buy themselves cars," protests one of the miners in the truck taking him to his workplace 689 metres below ground at the Yuzhnodonbasskaya no. 3 mine south of Donetsk. "Now the wages are barely enough to feed a wife and child, and it's very difficult for women to find jobs in the coalmines: they can't work underground and the number of surface jobs is very limited."

**"The miners are not paid for the number of hours worked but for the amount of coal extracted. Consequently, respect for the safety regulations is not their main concern,"**

The mineworkers' salaries vary greatly according to whether they are employed by a State mine or a private mine, or work at the surface or underground. In the State mines, the underground workers generally receive between 1200 and 2000 hryvnias a month (160 to 190 euros) depending on production; the surface workers receive as little as 350 to 400 hryvnias (56 to 64 euros). The salaries of underground miners can be much higher (up to 4000 or 5000 hryvnias – 648 to 810 euros) in a privatised mine run by a serious employer. But those earning such good salaries are few and far between. "Here, even if you work really hard, you almost never earn a decent wage," says a trade unionist from the Donetsk region. At least 230 to 300 euros is in fact needed to provide a decent living for couple with one child.

## RETIRED MINERS FORCED TO GO BACK TO WORK

With such low salaries, ever fewer

workers are being attracted to Ukraine's mines, all the more so given that they are often paid late. Given the progressive fall in the number of young workers prepared to toil and risk their lives in the mines for such meagre wages, the average age of the workforce is constantly on the rise. Moreover, what was once one of the major advantages of being an underground miner, the right to retire after twenty years service, no longer constitutes much of an incentive: the pensions are so low in comparison with the cost of living that many miners find themselves obliged to keep on working after twenty years "underground". "I'm 70 years old but have to keep on working as I have a 17-year-old granddaughter to support," explains Panteley, and electrician who has been working underground at a mine in Dzerzhinsk for 46 years. "My pension is just 780 hryvnias (126 euros) a month, to which I add my wage of 700 grivnas, but it is still barely enough to live on."

Many State mines are struggling to find the amount of workers they need to operate, given the low wages and the competition from illegal mines (see page 4). "I usually work between 20 and 23 days a month, but there are not enough miners, so I'm often asked to work on my days off," says 46-year-old Roman, an underground miner from Makiivka. "I'm in charge of maintaining the electrical equipment. The working conditions are very hard underground: the temperature is 37°, with 100% humidity. I had decided to leave my job as a teacher when I was 34, as a miner's salary was double that of a teacher's, and I had two sons to bring up. My wife is still a teacher. Her wage is just 500 hryvnias, whilst I earn 1200 (194 euros). My entire family has worked in the mines; it used to be a prestigious job. Now, neither a job in mining or teaching has any standing." ●

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