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SCHOOL OF AUTOCRACY: PENSIONS AND LABOUR REFORMS OF THE FIRST PUTIN ADMINISTRATION

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SCHOOL OF AUTOCRACY: PENSIONS AND LABOUR REFORMS OF THE FIRST PUTIN ADMINISTRATION

The early 2000s marked a surge in uncertainty in Russian politics caused by the succession crisis and the profound political turnover it triggered. This uncertainty could resolve in a number of ways, each leading to a different political development. We trace the actual way out of this uncertainty and suggest that the major factor to condition the further regime trajectory was the way reforms were conducted. The article questions the teleological approach that sees government as knowingly and purposefully building autocracy, and contributes to the tradition emphasizing the plurality of possible regime developments (Golosov 2011) and the role of contingency therein (Hale 2004) by providing a more systematic treatment of such contingency. We use insights from basic coordination game theory and cognitive institutionalism to show how local reform practices become accepted as a trusted way of interaction by political actors and stick with the regime in a path dependent manner. This intuition is substantiated with a case-study of pensions and labour reforms. Course of these reforms determined the major features of the Putin regime, such as building up a single party of power, crowding out the political market, opposition decay, and informal institutionalisation.

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INTRODUCTION

Early 2000s were the formative years for contemporary Russian politics. It was in the first years of the first Putin administration that the regime moulded its character and learned its ways. A vast and theoretically rich literature documents and explains this process. Golosov (2011; 2013) shows how making regional authorities responsible for the United Russia party electoral performance and embedding the local and regional political machines into a single integrated system of delivering votes became the major building block of the new Russian political order. Gel'man (2003; 2005) describes the governmental policies towards opposition parties to show how a new equilibrium of the 'imposed consensus' was created. Lipman (2005) and Lipman and McFaul (2005) chronicle the governmental campaign to suppress independent media (first and foremost, television).

Developed largely as a description of independent processes, these arguments can be conceived of as parts of a broader process of constructing a specific type of regime known as competitive authoritarianism (Levitsky and Way 2010). It is well established that what defines longevity and stability of competitive autocracies is primarily the incumbent's success at “preserving elite unity, controlling elections and media, and using force against opponents” (Way 2005, 232). This capacity by the incumbent to control political outcomes within her domain is conditioned by a number of external factors such as linkage to the West and the leverage the West has over the government (Levitsky and Way 2006, 379). It is also determined by internal factors that generally include organizational power of the incumbent (operationalised as coercive power of the state and as party organization) (Levitsky and Way 2010, 54–68), but also entail other forms of elite control available to the incumbent (such as patron-client networks) and authoritarian skill or know-how (Way 2005, 234–236). Where these factors are favourable to the incumbent, democratization is derailed and autocracies pop up.

One important assumption of this theory is that the incumbent wilfully seeks to dismantle democratic institutions and build up an autocracy, and that the would-be autocrat knows what is best for her and consistently pursues the policies of extending her power and building up the regime. In other words, the logic of autocratisation is inherently teleological. To illustrate it with a recent ample description of Vladimir Putin's political strategy in the early 2000, in this logic, in order for the regime entrenchment to succeed

not only had Putin to place loyal figures to the key positions, but also change the formal and informal rules of the game... And that, by turn, took Putin and his team
not only to make varied and rather lengthy efforts on various fronts, but also to choose the optimal sequence of actions to build up the 'imposed consensus' and to keep it intact (Gel'man 2013, 112).

The question though is, of course, how did Putin and his teammates know this optimal sequence of actions? Moreover, how did they know initially they were teammates at all? And if they did not, how did they learn it?

The argument we put forth is that the would-be autocrats learn their business while in office, thus making it a dynamic process. Moreover, this knowledge is created as part of a collective trial and error process whereby all actors interact to obtain some intermediate goals. Normally these goals would not be related to power directly. Rather, they would concern specific policies the state government wishes to pursue. Various actors present in the political arena would then struggle to achieve their immediate policy goals, but this struggle would bring to life structures of interaction that would later stick with the regime and become its backbone. These structures would become the new norms of interaction, but they would also ascribe roles to various actors. The way the regime is would therefore be a result of collective learning, rather than a deliberate design by one dominant actor.

The article proceeds as follows. First, we review policy feedback literature and relate our argument to this research tradition. In the second section we draw from the theory of cognitive institutionalism (Mantzavinos, North, and Shariq 2004) and from coordination game theory to formulate a theory of autocratic learning. We illustrate the theory with a case-study of the labour and pensions reforms conducted by Vladimir Putin in Russia in the early 2000s. The third section describes the initial attempts at such reforms undertaken in the mid-1990s, and aims to reveal the set of relevant actors and their prior experience. This section also prepares the mise en scene for the second wave of reforms conducted by Vladimir Putin in the first years of his presidency. These reforms are analysed in the fourth section where we show how chaotic the interactions were initially, and how they were further structured in two years time to create by 2002 the new political order. The empirical findings are informed by a series of in-depth interviews we conducted in autumn 2013 with insiders in labour and pension reforms.

They were only six interviews, each lasting from one hour to one hour and a half. For interviews we selected the people who were not interviewed previously and had an insider access to the reform process by virtue of either working in the government or the labour ministry in late 1990s-early 2000s, or by being on the expert reform team. At the same time, many of the stakeholders have already been interviewed during and after the reforms, and their interviews are published in the Russian media. We also use these interviews extensively in our work. Another important source of empirical information are articles published in the major news outlets in the period from 1996 to 2004. Complete filings of Izvestia, Novaya gazeta, Kommersant daily and Kommersant-Vlast for this period were studied to establish the order of events and reveal the positions taken by...
DO POLICIES MAKE POLITICS? IMMEDIATENESS OF POLICY FEEDBACK

The gist of the argument put forward in this paper is that the course of reforms during the first Putin administration and their substance were crucial factors of moulding Russian political regime for the years to come. One could restate that to say that certain twists of policy-making in the early naughts were formative for Russian politics, or that policies back then happened to define politics in Russia nowadays.

Literature on how policies may determine politics used to be scarce. As Pierson notes in his influential review, it has been more usual to see the relationship as reverse, with winners first brought to power as a result of political struggle, and then enacting their policy preferences (Pierson 1993, 595). It took efforts of several generations of scholars to turn the policy feedback research into a burgeoning field, and even bring in some diversity (for a brilliant review of this literature see Pierson 1993; and more recently Schneider and Sidney 2009, 108–111).

One of the first scholars to show pithily that policies may be an independent variable determining politics was Theodore Lowi. Lowi (1972) argues that societies face different challenges as they develop: sometimes the major policy issue is to distribute existent resources; sometimes it is a matter of regulating economy; and sometimes the state has to intervene to redistribute the social wealth. Depending on which historical stage a society goes through, politics adjusts to better fit the existent policy goals. As Lowi puts it in an earlier essay, “a political relationship is determined by the type of policy at stake, so that for every type of policy there is likely to be a distinctive type of political relationship” (Lowi 1964, 688).

To explain how this connection works Lowi builds a classification of policies that rests on two criteria: namely, whether a policy implies direct costs and therefore calls for specific means to impose those costs; and whether it addresses individual groups or the environment in general (Lowi 1972, 300). Thus, for instance, as long as economy builds upon exploiting the existent vast resources, the basic task of government would be to allocate those resources to private groups. This would call for non-coercive and individually-oriented distributive policies, which also entails a certain pattern of politics characterized by little need for governmental enforcement (and hence small government) and widespread patronage. As economy and society evolve to

participants at various points in time. To keep the wordcount lower, these articles are cited only where we refer to some particular event, or give direct quotations.
exhaust those resources, the more coercive yet still individually-oriented *regulatory* policies come to prevail, and, again, this leads to changes in political structure, etc.

This argument is consistent with certain established accounts of political development that depict politics as moving historically from a more particularistic patronage type to a more policy-oriented ideological type (e.g. Dahl 1963; Scott 1969), but it need not be necessarily historical, and instead the classification may be used to explain why politics varies among different policy areas, which potentially allows for predicting political interactions based upon the substance of a policy field in question.

Yet, despite its remarkable clarity and vividness, this first generation of policy feedback research faced a number of problems. One is that often it may be difficult to neatly classify policies this way (Steinberger 1980, 186–187). As Lowi himself notes of his classification, at the end of the day every policy is redistributive as it eventually proves beneficial for one group and costly to another.

Attempts to provide for a more clear grounds to classify policies have been made, with a critical contribution by Wilson (1974, 332) who proposed to distinguish between policies depending on whether the costs and benefits they produce are distributed or concentrated. The interplay of who bears the costs and who receives the benefits would then define both the set of actors engaging in decision process and their interests, and four types of politics would therefore arise: majoritarian, interest group, clientist, or entrepreneurial, depending on the two characteristics of policy in question (Wilson 1974, 332).

But even with this first problem solved, empirical work that would test the classifications remained revealingly sparse, which brings us to the second problem, namely that of non-immediateness of policy feedback. This second problem relates not as much to the practical applicability of these classifying schemes, but rather to our intuitive understanding of how exactly policy influences politics, and if the reverse influence is not a more fundamental one.

Indeed, as long as we observe policy feedback in a long historical perspective, the way policy substance determines politics may seem convincing, as with a lapse of time a proper political organization does materialize to fit the needs of a policy area. Yet in the shorter run the policy feedback may seem rather faint, and even negligible compared, say, to a U-turn that a change in government may produce in certain policies almost immediately. Furthermore, and more importantly, as political organization evolves and the process of setting some policies on the
agenda and putting the other ones to the backburner becomes political itself, politics actually becomes a more important determinant of social development.

Two solutions were found for this problem of non-immediateness. One is to focus on the critical junctures and see how decisions taken at the turning points in history influence its course subsequently. This is a line of research associated with historical institutionalism in policy studies. A prominent example is research into the origins of the American welfare state by Theda Skocpol (1992) who shows, among other things, that it was the popular disenchantment with the post-Civil War pension policy and the inherent political clientelism that proved a major determinant of the unwillingness to create a European-type welfare state in the US in the 20th century (Skocpol 1992, 57–60). Some policy solutions thus may lead to heavier political effects than the others, making the policy feedback more tangible, and raising a question of what circumstances amplified it.

Another solution to secure a more immediate policy feedback is to break the slow feedback process into smaller elements and seek a more nuanced explanation of those forces that ultimately lead to policy-politics convergence in a shorter run. This brought to life a vast literature on specific types of policy feedback mechanisms thus making the process more observable. Pierson (1993) reviews and usefully systematizes this literature to single out the three major types of policy feedback mechanism: policy creating organizational (dis)incentives, resources, and information, and he further superimposes these mechanisms on the types of actors that they aim at (Pierson 1993, 626).

This makes for a rich and branchy classification of policy feedbacks which also proves informative in that different mechanisms vary in the immediateness and strength of their effect on politics. Thus, the feedback is most visible when a policy leads to resource redistribution that brings to life (and at the bargaining table) new interest groups, thus ultimately altering the political ballgame. A remoter, yet probably more fundamental type of policy feedback is when policy creates new social meanings. Schneider and Ingram (1993) propose a particularly far reaching theory to show that policies do not only create incentives for interest groups to arise, but indeed construct those groups by targeting them and ascribing to them certain qualities, thus affecting the very fabric of social consciousness.

The problem with these two solutions is that quite often what we would observe is merely a policy-to-policy feedback. This is the case with government elites learning the mistakes of previous policy solutions and devising better policy instruments in the future (thus policy
creating new information for the stakeholders). This is also the case with creating new governmental capacities that would later stick to their policies and resist policy change. In both cases the policy feedback does not go beyond the realms of policy itself.

In and of itself this policy-to-policy feedback is nothing to be frustrated about. Establishing the autonomy of policy and its ability to create a continuity of its own is an important finding, and certainly one capable of disturbing the confidence in supremacy of the role that power struggles play in policy-making. But one should be aware that Lowi (and his successors in the first generation literature) aimed higher, with policy feeding back directly to politics and creating its essence. And it is also crucial for our argument to keep the stakes as high and show that not only the policy itself is directed towards a certain path as a result of reform, but a distinct type of politics can materialize as a consequence of reform struggles within specific policies.

To do so we introduce a theory of autocratic learning under uncertainty, thus combining the historical institutional emphasis on critical junctures as an amplifier of policy feedback with the concept of focal point solution for coordination problems and the theory of collective learning. And although our primary goal is to suggest an explanation for a role of reform in political evolution under uncertainty, we also aspire to catalogue yet another type of policy feedback.

**WHO LEARNS WHAT WHEN HOW, AND CAN THAT LEAD TO AUTOCRACY**

State of the art in autocratisation theory, as we have already sketched it in the introduction, has it that autocracies are built up intentionally by the rulers eager to secure their power. Levitsky and Way wittily compare autocrats to three little pigs aware that their well-being depends on how strong their houses are in the face of prodemocratic wolves huffing and puffing at those houses (Levitsky and Way 2010, 54), and therefore duly persistent in fortifying the walls. Note that this is a somewhat deterministic theory of regime dynamics similar to the oft-criticized democratization paradigm, only the regime trajectory now is not merely determined by the societies' drive towards democracy, but also (and mostly) by the incumbents finding ways to derail democratization and consolidate their power.

The problem with this theory is that, as Hugh Heclo famously put it, “politics finds its sources not only in power but also in uncertainty” (Heclo 2010, 305), and uncertainty is one thing that
goes unaccounted for. At the same time, uncertainty is literally central to transition: Gel'man (1999) splits transition in five stages, the third being “some kind of uncertainty in all components of the political regime” (Gel’man 1999, 943). Whatever happens before is ordered by the logic of ancien regime's decay, when the old institutions become looser, but actors keep grasping at them to facilitate political interactions. Whatever happens afterwards is steered by the new political elites getting a firmer grip on power through the nascent institutions. The most interesting part, though – new actors entering politics and sowing seeds of new institutions – happens under uncertainty, which is why it is so important to understand how uncertainty impacts political behaviour if we want to understand regime dynamics.

Heclo characterizes decision-making under uncertainty a “collective puzzlement” (Heclo 2010, 305), but (unless we take this to mean scholars being collectively puzzled over the messiness of transition) we'll first have to get a clearer idea of what uncertainty implies before trying to establish what this puzzlement looks like and how it is collective.

There are two sources of uncertainty in politics (Bunce and Csanádi 1993, 266–268; Gel’man 1999, 944). First, uncertainty stems from lack of information over actor's preferences and resources. This type of uncertainty is tamed as the set of actors becomes stable, and as actors accumulate information about each other.

Ceteris paribus, time lowers this type of uncertainty. This happens because the more actors interact the better they predict each other's behaviour, and can therefore narrow down the set of possible outcomes and the set of strategies available to them to choose from. This is an iterative process, so at some point, when all actors have complete information about what other actors can and prefer to do, there remains only one outcome, a complete certainty about it and no uncertainty at all.

The second source of uncertainty is when actors are uncertain about the situation they find themselves in. This is uncertainty over institutions. Bunce calls it procedural uncertainty (Bunce and Csanádi 1993, 267), and Gel'man illustrates it by example of two people playing chess when one changes the rules on the go and uses the board to hit the other (Gel’man, Ryzhenkov, and Brie 2005)5. This type of uncertainty implies that actors are not sure whether this or that course

5 Note though that, technically, this example does not necessarily point towards institutional uncertainty. It can as well be indicative of a player's ignorance over her opponent's preferences (whereby winning by all means outweighs pleasures of an interesting, if also a tight play), or resources (because hitting someone with a chessboard is also a matter of one's ability to do that). A more accurate (though less lively) example is when a player has to make a move but is not sure whether she is playing regular draughts or its opposite of poddavki (or giveaway/suicide checkers) – a game popular in the post-Soviet countries whereby whoever loses more draughts is the winner.
of action will land them at the outcome they expect, even when they have enough information about other actors’ preferences and resources.

To put it in game theoretic terms, under institutional uncertainty a player does not know at which node in the game she is, so she has to make a move without knowing its consequences for sure. The simplest and most basic example of institutional uncertainty is coordination problem. Consider this situation: two people talk on the phone, and there is a cut off. Someone has to call back, but if both do, both get a busy line. Actors have to act simultaneously, and it may happen that, first, both people call, then both wait for a call, then they both give it a try again. Then they decide to try something new and don't call for two rounds keeping the line free to receive a call; then they both grow impatient and both dial, this time twice in a row, etc. So even despite having complete information about each other’s solid preference to resume the talk, and aware of the resources available to them, actors still cannot predict each other's behaviour and thus remain completely uncertain about the outcome.

Situations like that abound in politics. A regional governor asks for a transfer from the federal budget, but does not know if all the other governors do the same, and if he asks not too much (or too little), and how this impacts his career perspectives. An opposition politician is about to be put behind bars in a politicised court trial and decides if he pleads guilty without knowing if telephone justice is invoked or if the Kremlin will back up this time to avoid bad publicity.

In these cases actors are unaware of other actors' moves, so uncertainty stems from lack of information over other actors’ behaviour. What makes it institutional though is that a proper institution might lower this uncertainty, and, in effect, is the only thing that can do so. Thus, in the calling example, what actors need is some prior arrangement for them to be able to decide who calls and who waits, without communicating. This may be some simple rule, e.g. whoever initiated the call is to call back. If such a rule is in place, then there is no uncertainty (unless, of course, the talk was too long for the two to remember who called first, in which case it may in fact be for the better that uncertainty prevents it from going on). Similarly, a governor would feel more certain about everybody else's moves if there existed a known procedure for earmarking budgetary transfers, and the opposition politician – if there was some rule for governmental (non)involvement in court proceedings.

Whereas some degree of actor-related uncertainty is inherent in politics regardless of how settled the regime is, high institutional uncertainty is specifically characteristic of transition politics. With the institutions of ancien regime defunct, and the new ones not yet acquired, the
institutional iron cage is too sparse and flimsy for actors to be able to predict each other's behaviour. This means that, first, there can be no actors individually capable of turning this situation into autocracy, because no single actor can know her optimal strategy to do so without coordinating with the rest, and there are no institutions yet to facilitate such coordination – a condition we further elaborate on below. And, second, this broad institutional anomie would make political actors resort to random play while attempting to create new institutions on the go. How this “on the go” works is what we need to know to explain institutional formation during transition. In other words, to understand the dynamics of transition and to explain its various destinations we need to know what non-institutional means actors have to reduce uncertainty this way from within the game.

One simple yet powerful answer to this question is Schelling's focal point solution to coordination (Schelling 1960, 57). This answer implies that to reduce institutional uncertainty actors need to find a clue in their common knowledge which would make one coordinated outcome look more special than the others. So, for instance, when two players (named Anna and Ivan) choose between these two outcomes: either Anna calls and Ivan waits, or Ivan calls and Anna waits, the first outcome may seem more special to them if both players know that Anna is on subscription and it is cheaper for her to call back. In this case, it is reasonable for both to assume that the first outcome is slightly more probable, and then this very assumption makes the outcome more probable indeed, and eventually makes it happen.

Focal point solution is the prevalent way to explain meaningful coordination not supported by proper institutions. As such it fits our purposes very well. It has been noted, though, that it proves quite difficult to translate into politics. Richards notes that application of the focal point concept in political science has largely remained extra-theoretical and post-hoc (Richards 2001, 259): not only it is difficult to see a focal point in advance, but also to formulate any analytical grounds for defining it.

Using the concept may prove especially problematic for transition research. Indeed, a focal point solution is not necessarily good for coordination during transition. Difficulty of arriving at an equilibrium through focal point solution increases both as the proportion of new actors grows (i.e., the two types of uncertainty multiply), and as the situation actors find themselves in becomes more novel. The reason for this is that in these situations actors are less likely to share any experience they could use to arrive at a mutually predictable outcome. There is simply not much common knowledge they share to deduce any hint at one particular coordinated outcome.
from it. Obviously these conditions are very much present during transition when a bunch of new actors interacts in unusual settings.

Thus, to take full stock of the focal point solution we will first have to establish its applicability to our research. To do so we will make two reservations about its usage.

First, we'll have to make the concept applicable when actors share no common knowledge. Treated that way the problem of coordination is reformulated into one of actors building up such common knowledge and arriving at a shared understanding of the decision context and, as no such understanding exists initially, essentially becomes a problem of learning.

In this perspective, what we observe when actors start interacting under uncertainty is them using the game, probably resorting to random play in the first iterations, to learn something about each other and the game itself. Yet, in order for such learning to have focal point properties, the knowledge obtained must be common: the knowledge about the situation is correct when it is shared by many. Sometimes this simply means that the knowledge each particular actor has must reflect the reality unaffected by the actor's ignorance, in which case it is the actor's onus to learn the reality. But sometimes, the object of learning is constructed as part of the learning process (e.g., when players learn about a new social convention), in which case the same coordination logic we described above should apply to these acquaintance games.

To account for this difference, Mantzavinos et al. draw a useful distinction between individual and collective learning (2004, 75). Individual learning occurs when a certain actor gets to know the rules of the game and acquires specific politicking skills or special expertise. It is this type of learning that takes place when a new actor enters an ongoing decision making process where a significant number of players already know each other and the rules, thus leaving it to the freshman to catch up. It is also the regular learning all actors do to keep abreast with the changing environment.

The collective learning is different because it is interactive: players' best strategies are only best when they are complimentary. There are two important implications from this difference. First, individual learning is linear: there is in effect only one best strategy for an individual in a given situation, and there is no further learning past this optimal strategy. The only uncertainty about pure personal learning is how much time it takes the actor to learn her best strategy; otherwise it is deterministic. Collective learning may, to the contrary, bring about different sets of new institutions, and result in completely different outcomes. So if a social change occurs after
learning, it is more likely to occur after collective learning, and the range of possible change is wider.

Second, whereas collective learning leads to creation of informal institutions, individual learning only results in the new institutions when the actor who learns is powerful enough to impose those new institutions unilaterally, in which case those institutions should be formal (Mantzavinos, North, and Shariq 2004, 77). Yet, to be able to impose new institutions formally, the ruler must have already secured a minimal support from the other players, and often this support would first have to be forged within informal institutions constructed in process of collective learning.

Combined these two implications mean that informal institutionalisation achieved through collective learning would precede and embrace the further formal institutionalisation, with more possible developments ruled out at this stage, and the trajectories available being more varied. It is fair to say that the genuinely critical juncture is passed here, and that, however short, this initial period of collective learning must therefore attract a lot of interest in autocratic research.

Curiously, and contrary to this expectation, existent literature on autocratic learning covers primarily individual learning. It is individual learning that Lucan Way refers to when he writes of the authoritarian know-hows (Way 2005, 236) which might extend from ways to suppress opponents before and during elections to useful skills of rigging elections altogether, and to other special techniques from the rich menu of manipulation (Schedler 2002). There is also a vast literature documenting regional dynamics of such learning, as in the case of autocrats learning by their neighbors' mistakes after the Arab spring or the color revolutions (Heydemann and Leenders 2011; Finkel and Brudny 2012; Koesel and Bunce 2013), or even devising specific policies to maintain a comfortably autocratic environment in the neighborhood (Ambrosio 2009). But then again, usually these are unilateral know-hows of how to co-opt, reward and punish other actors in a way that consolidates the autocrat's position, and the knowledge of structures that serve these goals best.

Redefining focal point solution in terms of learning is therefore potentially fruitful in that it allows for making some predictions about the dynamics of transition and points us towards filling in an important gap in autocratisation research. Yet, in itself this does not solve the problem of finding the focal point – neither for us, nor for the actual players. What we need therefore is to define where such initial learning is likely to occur, which leads us to the second reservation we will make concerning the focal point solution – namely, the one on the locus of collective learning.
Most important property of such a locus is that it should be considered a safe playground for the actors to test each other and the environment without a risk of immediate and ultimate defeat. Transition politics is paved with many such risks. Its overwhelming complexity muddles actors' strategising by setting the game pay-offs so far off beyond the planning horizon that there is almost no way to see how a strategy chosen results in any gains or losses in the future.

No meaningful strategic choice is possible, but politicians cannot hibernate and wake up when things clear up, so they still have to choose their strategies and play them. Probably, unwilling to engage into long-term play, they would prefer focusing on a shorter perspective where goals are clearer and stakes lower. One obvious way to do so is by solving policy-oriented problems rather than engaging in grand power struggles. Reforming specific economic and social policy domains serves almost a perfect playground for the actors to engage in these first shorter-horizon coordination interactions.

To combine these two reservations, learning, both collective and individual, will therefore occur within safer confines of policy-making and economic and social reforms, not in building long-term coalitions to keep power. But, given that the ad hoc structures and informal institutions found effective during this stage will likely then be retained as part of a focal point solution to future coordination and coalition building, there will occur a “freezing” effect, and these ad hoc structures and institutions will become part of institutional environment in the later stages in a path-dependent way.

Most curious about it is that during social reforms the actual reasoning behind creating these ad hoc structures and institutions by political elites is primarily policy-related: the coalitions forged at this point, the actual mechanisms used to build and maintain those coalitions, and even the very composition of these coalitions all conform to short-term logic of policy reform only, but have a long-term political effect. This essentially makes building political institutions in periods of transitional uncertainty a likely instance of policy-to-politics feedback, and the more chaotic initial policy-related interactions are during the reform, the more variegated possible institutional outcomes are and, ergo, the more remarkable the magnitude of such a feedback for future political development.

To put some flesh on this very rough theory, we put forward three propositions that should at least allow to substantiate it empirically, if not to test it. First, actors who enter the winning

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6 To relate this to focal point theory, in this account policy-related issues are treated as part of a labelling scheme (Sugden 1995) for the longer-term political coordination.
coalition during the first reforms conducted under uncertainty will stay in the ruling coalition afterwards. This is the policy cooptation effect.

Second, structures of coordination and specific institutions created to ensure cooperation during reforms will remain intact after the reform and will be used as a successful solution ever after. This is the institutional learning effect.

Third, individual behavioural solutions found by the actors to be part of the equilibrium during reforms are further reproduced by these same actors. Or, to put it simply, roles played during reform stick to the actors. This is the behavioural learning effect.

In the two following sections we explore the limitations of this model by looking at two particular reforms conducted at a time of high uncertainty and before an autocracy was institutionalized – the labour and pensions reforms of the first Putin administration in Russia in the beginning of 2000s.

REFORM KITCHEN IN 1990S: COOKED BUT NEVER SERVED

Both pensions and labour reforms had appeared on the agenda of the Russian State well before Vladimir Putin became the second Russian President in 2000, and surely before the world actually learnt who Mr. Putin was. In this section we introduce the reader to problems the reforms intended to solve, give a brief review of pre-Putin attempts at labour and pensions reforms, and describe the major players present on stage by early 2000 and the status quo they dealt with.

There is a fair amount of literature covering the substance of labour and pensions reforms in post-Soviet Russia. As for the latter, most analysis concentrates on the economy of pensions, the relative merits of various pension schemes and their historical relevance (Piñera 2000; Karasyov and Lublin 2001; Afanasiev 2003; Zakharov and Tuchkova 2003; Williamson, Howling, and Maroto 2006; Gontmakher 2009; for the brilliant account in Russian see Maleva and Sinyavskaya 2005; Maleva 2007; Sinyavskaya 2011). Papers over political factors and the course of events that led to the 2002 pensions reform mainly date from early 2000s, though (Chandler 2001a; Chandler 2001b; Woodruff 2001; Ohtsu 2002; Chandler 2004). In the case of labour reform one major theme is, of course, labour unions, their efficiency and relative political strength over time (Ashwin 2011; Ashwin and Clarke 2003; Kubicek 2002; Crowley 2002; Cook 2001). We refer the reader to this literature for a more detailed reading on substance of the
policies discussed in this article. We confine ourselves to a more detailed analysis of the way reforms were carried through in the early 2000s. The more technical details for these policy areas are supplied only where this is necessary to clarify the players' stances.

Reforming pensions and labour was on the agenda ever since the collapse of the Soviet Union. The first law reforming the Soviet pension system was introduced in 1990 and implemented by mid-1992, and the old Soviet labour code of 1971 (Kodeks zakonov o trude, or simply KZoT) was amended extensively in 1992, with supplementing legislation (e.g. the 1996 Law on trade unions) adopted in the years to come. In both cases the goal was to adapt the legal regime existent within these areas to the new realities of market economy, and in both cases the reformers failed – partly due to incompleteness of the reforms adopted and their timing, partly as the reformers miscalculated some of the effects of reforms, and partly because regional bureaucracies and society at large resisted the reform implementation.

One general problem both with pensions and with the labour code was the disorderliness of the legal regime created (e.g. Woodruff 2001). Fearful of unemployment, the government used pensions to provide some minimal income conditions for population in general – not only the elderly. This was obtained through allowing for early pensions, even for those still working, and by introducing an extensive package of benefits for early retirees (Sinyavskaya 2011). As a result, pensions regime in the 1990s was in fact more universalistic than the one in the Soviet Russia, which was hardly sustainable given the economic downturn. As one observer notes, the 1990 law was “the most humane and most welfarist pensions law in all of [the Russian] history... No wonder the idealistic image of happy retirement years declared by the law remained on paper” (Sinyavskaya 2001, 50–51).

Similarly, even recast, the Soviet KZoT still remained too generous for the nascent Russian market, and certainly did not mean much in the ever growing shadow economy. This was further exacerbated as more unsystematic reforming occurred over the years – often in a piecemeal manner and by presidential decrees.

The need for a more comprehensive reform in these areas became particularly acute during the second Yeltsin administration in 1996, when deficit in the state coffers urged the government to ask for international assistance. The assistance was found quite soon, in June 1997 (just several months after the “young reformers” entered the Chernomyrdin government), in the form of the World Bank’s Social Protection Adjustment Loan of USD 800 million and Implementation Loan of USD 28.6 million (to be provided in three tranches). Of course, the Bank had quite some
leverage to push for structural reforms in Russia, and used it to put the pensions and labour reforms on the agenda (Chandler 2001b, 324).

But even without this conditionality, the need for reforms, and for the pensions reform in particular was very obvious as the devoted Pensions fund (Pensionnyi fond Rossii, PFR) did not withstand the overload and ran huge deficits by the mid-1990s. By the end of 1996 the PFR’s debt to the Russian pensioners amounted to 12% of its budget (Sinyavskaya 2011, 162). Pensions were not paid for many months, with no transfers from the federal budget available due to a heavy deficit there as well.

As the social system was on the brink of collapse, a group of experts was invited to fix it. This is when Mikhail Dmitriev, one of the key figures both in labour and pensions reforms for years to come, enters the stage. Dmitriev has been close to Anatoly Chubais, one of the “young reformers”, who became the first deputy prime minister in March 1997 and was in charge of the social reforms at the political level in the Chernomyrdin government (Hanson and Teague 2013, 10).

Chubais needed Dmitriev to prepare and launch the reforms from within the Ministry of labour and social development, which landed him at the position of first deputy minister. Dmitriev also brought along a small team he put up from among the people he knew and worked with earlier, such as labour lawyer Tatiana Korshunova, or union activists Dmitry Semenov and Pavel Kudyukin (the latter also was an ex-deputy minister in the Gaidar government). They “were allotted a small office [in the ministry] with a computer and a fax”, as one interviewee put it, where they prepared the labour reform proposal7.

With the pensions reform, there even was a ready-made concept Dmitriev first presented as early as in April 1996, while at the Moscow Carnegie Centre. The concept called for introduction of the accumulative funded pensions in Russia. In a nutshell, this would mean that some part of the pension insurance contributions would be invested at the financial markets to generate additional revenue to pay pensions in the future (Degtyarev 2001; Chandler 2001b). If implemented, this would be a very strong departure from the universalistic model in place then. This idea traveled to the reform concept developed by Dmitriev at the Ministry of labour.

7 These must have been typical working conditions for all post-soviet reformers. Similarly to Dmitriev’s “attachment” to the Labour ministry in 1997, when in 1990 Chubais put together his first reform squad and brought it to St.Petersburg city administration, they were stationed with the old Soviet planning bureaucracy (“who were not glad to see their new neighbors”) at the City Planning Committee of Leningrad (Lenplan). The young reformers “understood that a room, table and a telephone is all the power they had” (Pis'mennaya 2013, 29).
Interestingly, Dmitriev’s appointment created a rather peculiar situation of having two first deputy ministers of labour, both of them in charge of the pensions reform (the other one – the “incumbent” – was Yuri Lublin), and both developing their own reform proposals separately (Degtyarev 2001). A similar development occurred in the somewhat less highprofile labour reform, where two reform roadmaps were elaborated in parallel by Dmitriev and his team, and by yet another deputy minister Vladimir Varov.

This is indicative of the approach towards labour and pensions reforms taken by the “young reformers”. This approach intended to exclude what one of our interviewees called the “old bureaucracy” from the process, because they were “too conservative”, and would rather stick to a “parametric reform”, that is, a reform that only adjusts some parameters of the existent system (i.e. the length of service or the retirement age) instead of a thorough overhaul of the system. Creating an outside task force within the ministry would allow for sidelining the old bureaucracy and conducting the reform the way “young reformers” and the World bank wanted it.

But this also shows the balance of power in the government at the time, as the “young reformers” failed to persuade the ever careful Chernomyrdin to push aside the “old bureaucracy” completely, which was still allowed to prepare their own reform proposals. As a result, no carte blanche was given to Dmitriev, and what reform would be implemented was decided on a later stage, when discussed in the cabinet. This set the central conflict at this first, pre-Putin stage of the reform process – the one between the liberal outside reformers and the “old bureaucracy”. The conflict was resolved differently in the two reforms in question, providing for different status quo in the areas by the early 2000.

In the pensions reform, the initial Concept prepared by Dmitriev was reexamined and adjusted several times since the first college meeting of the Labour ministry in July 1997, and every time the proposal was deemed too radical (Maleva and Sinyavskaya 2005, 16–19; Degtyarev 2001). Though approved in early autumn by the governmental Commission for economic reform (no wonder, as it was Chubais who headed the commission at the time), the concept still got cool welcome at the cabinet meeting in October. Chernomyrdin publicly attacked the labour minister Oleg Sysuev who presented the concept to the cabinet (allegedly, his discontent was mostly due to the fact the minister reported despite the negative review by the government secretariat, which signaled the concept was too “raw” for cabinet approval to the prime minister), and was said to show his personal disapproval of Chubais and Nemtsov for the proposed Concept (Maleva and

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8 Which also goes in line with Chernomyrdin's credo that “one should not put both eggs in one basket”.

Only on December 18, 1997 after another round of changes and corrections to make the proposal once again more moderate and complete, the reform draft was finally approved by the government. As a result on May 20, 1998 the Program of Pensions Reform (watered down as compared to the initial 1997 Concept), and the implementation roadmap for the years 1998-1999 were adopted. The pensions reform should have started on January 1, 1999 (Maleva and Sinyavskaya 2005, 19–20; Degtyarev 2001), but it never did because of the August 1998 crisis.

The August crisis played some role in the labour reform as well, though the major point of divergence that defined a different outcome in the labour reform occurred earlier this year, when the Chernomyrdin government was dismissed and the new labour minister, Oksana Dmitrieva, was appointed. Unlike her predecessor who supported Mikhail Dmitriev, Oksana Dmitrieva preferred the alternative proposal prepared by the “old bureaucracy”. When the two concepts were discussed in late July 1998 at the ministry college, Dmitrieva supported the one prepared by Vladimir Varov and presented by head of legal department Sergey Panin, who was subsequently given one month to finalise the draft (Babaeva 1998b).

The reason Dmitriev’s proposal for labour reform failed was partly the bureaucratic struggle within the ministry of labour that the “old bureaucracy” won thanks to support from the more left-leaning Oksana Dmitrieva. Partly it was a mismatch with the immediate economic conditions of the time, and consequently a conflicting set of problems the reform had to resolve in the short and in the long run. Late nineties were years of backpay due to economic downturn. The situational solution supported within the ministry was to ensure that the wages are paid and people are not laid off. Dmitriev’s proposal aimed at a long-term solution through increasing labour market flexibility and boosting economic growth, but the timing was so bad that the ministry did not dare to take it.

As with the pensions reform, the economic crisis put the labour reform on hold. But unlike it, it got a second wind when Varov’s draft Labour code was introduced to the parliament by the Primakov government in March 1999. Our interviewee (working in the government secretariat at the time) describes this as prime minister Evgeny Primakov asking him in the early 1999

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9 In an interview dating back to July 1998 Mikhail Dmitriev mentions disappointedly that the two working groups (his and Varov’s) “has only just reached an agreement”, but now “the tension is escalated artificially” between the two all over again (Babaeva 1998a). Prime mover behind this artificial escalation was probably the new minister.
“whether the government has anything to throw into Duma”, and them finding luckily the draft prepared by Varov and Panin on Dmitrieva's request.

Likewise, the law on pensions system should have been introduced to the Duma in summer 1999 already by the Stepashin government (Babaeva 1999). But, as Russia entered the electoral campaign, debates on both the labour and pensions reforms were put on hold. Thus, the interim result for both reforms was that many concepts were cooked, but never left the kitchen.

Though the labour and pensions reform trajectories were similar in many respects, the status quo achieved in the two areas by late 1999 differed. The labour code, though it ultimately made it to the Duma, was not the one prepared by the liberal reformers, who would have to adjust it on the go already on a later stage in the decision process. The ball was in the Duma's half already, and discussion could not be brought back easily into the government. At the same time, the pensions reform, even though authored by Dmitriev, was not yet introduced to the Duma, and could therefore be derailed more easily by the revengeful old bureaucracy or some other inside players to appear after the elections. Dmitriev, who left the Labour ministry in September 1998 and was back to business only after Vladimir Putin had been elected the new Russian President, would have to cope with these challenges differently.

OVERCOMING LOCAL UNCERTAINTY IN PENSIONS AND LABOUR REFORMS UNDER PUTIN

In the previous section we describe the status quo achieved in the labour and pensions reforms by late 1999. The major conflict we observe in the period is the one between liberal economists who entered the government in mid 1990s, and the old bureaucracy that tried to temper their reformative zeal. It may seem weird though that we never mention the Communist party that controlled the Duma in 1995-1999, or the parliamentary politics in general.

One obvious reason for that is that the reforms in question would only reach the parliament already after the 1999-2000 electoral cycle that changed the overall political ballgame completely. The country went through the succession crisis in late 1999-early 2000, and came up with a new president and his new government. The elections also reshuffled the Duma substantially by reducing the communist majority and pumping a lot of fresh blood into the parliament. Thus, two new potential parties of power arose: the pro-Putin Unity (Edinstvo), relying on the new president's popularity, and its rival Fatherland-All Russia (Otechestvo-Vsia
Rossiya, OVR) backed by the governors’ political strength, as well as some other parties seeking alliance with the government, such as the Union of right forces (Soyuz pravykh sil, SPS) and People's Deputy (Narodnyi deputat, ND).

This profound political change makes analysing the more visible political conflicts of the late 1990s, such as the Duma-president confrontation, irrelevant for our discussion. It should be noted though that, should the pensions and labour reform packages have been put to the vote in the second Duma, this confrontation must have made adopting them very problematic. The dramatic change in the political landscape in 2000 opened a window of opportunity for reform but also generated a lot of uncertainty, both as concerns the direction and outcome of the reforms, and the regime trajectory in general.

The major point of uncertainty was which ruling coalition forms and how strong and integrated it is. The succession crisis that Russia entered in 1999 had many potential exits. Although Vladimir Putin's successful performance throughout the late 1999 and early 2000 got him the presidential post, there still remained some room for alternative political development as he was getting a grip on the power in the first years of his presidency (and might have failed to do so). Indeed, it has been noted that the very institutional structure should not have necessarily been transformed into a dominant-party autocracy, but could rather lead to some form of federalized two-party system (see striking historical parallels in Hale 2005, 211–215), or in fact any other flavour of institutionalised democracy (Golosov 2011).

That the political development was not predetermined is visible already in the first months of the new Duma, when an unusual alliance between the pro-governmental Edinstvo and the communists was struck, with committee chairmanships divided between the two parties and communist Gennady Seleznev appointed the speaker. Conceived to drive back OVR, this alliance also left out some of the powerful political forces that expected to be included in the coalition, such as the SPS which counted in many powerful figures from the previous liberal governments and was close ideologically to the liberal wing in Putin's entourage. Their association with the pro-Putin forces was symbolically sealed when their leader and ex-prime minister Sergey Kirienko personally handed a heavy volume of reform proposals to Vladimir Putin in late 1999, which Putin publicly endorsed by saying “he supported some of the ideas of

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10 Traces of the president-Duma confrontation in the labour and pension reforms are plentiful. E.g., there was an attempt to introduce a draft Code by a group of Communist MPs (V.Grigoriev, N.Korsakov, A.Ionov and V.Shandybin) in early 1998 which was blocked by the government. Many other minor amendments to the old KZOT were also rejected. Most important was the amendment to toughen employer's liability for delay in salary payment passed by the Duma but vetoed by president Yeltsin in summer 1999. The Duma was also reluctant to amend pensions legislation in summer 1998.
Observers expected (though maybe wishfully) that the new government coalition would include Edinstvo, SPS and some third party, with SPS determining the economic policies.

This rapprochement between Edinstvo and the communist party seems counterintuitive given the previous record of communist bitter opposition to the executive. In hindsight, so does the original resolute exclusion of the OVR that would join Edinstvo to form the United Russia (Edinaya Rossiya) party of power only two years later\(^\text{11}\). Though naturally a momentary tactical move by the government, this initial development was not easily transformable into the state of affairs Russian politics arrived at by the end of the first Putin administration. There must have been a specific mechanism to preclude all other developments and condition this particular one.

We believe that what routed this development were the circumstances of political interactions in 2000-2002. We suggest that, as these two years were mainly filled with the government striving to conduct the social and economic reforms, the way out of uncertainty for political system in general was found through overcoming uncertainty in the policy areas reformed. We describe the sources of this uncertainty and the way actors overcame it in this section, to review the legacy this left for the political regime in the conclusion.

There were specific manifestations of this novel uncertainty in the labour and pensions reforms. Indeed, the 1999 Duma elections brought in some new influential players. For the labour reform, particularly important was that a number of labour union leaders became MPs. Partly this happened because the unions anticipated a reform and sought opportunity to influence it. Before that the unions' primary strategy was to lobby the parties – this strategy was used extensively by the biggest trade union, the Federation of independent trade unions of Russia (Federatsiya nezavisimykh profsoyuzov Rossi, FNPR). Much of the FNPR's effort to lobby the second Duma (1995-1999) was in vain, though. And as their political influence was growing against the background of large-scale strikes in the late 1990s, the FNPR decided to step up the strategy and go straight to the Duma (Ashwin and Clarke 2003, 53–55).

Another reason for large union leadership mobilization was the search for eligible notables to be included on the party lists in late 1999 as the pro-Putin Edinstvo and Luzhkov's OVR competed in a warm-up fight before the presidential elections. As a result many unionists were nominated

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\(^{11}\) One of our interviewees recounts that Andrey Isaev (OVR), a union activist most active in the labour reform who would soon become a major figure in the United Russia party, considered the fact of Edinstvo and OVR uniting so incredible he even joked, saying that if Edinstvo merges with Otechestvo (one of the two parties to block into OVR), the new party would be called United Fatherland, Edinoe Otechestvo, or briefly EdiOt. “He was still able to make a good joke back then!”
by the parties and got elected. Some of these new MPs later formed a working group that by May 2000 introduced a “unionist” Code in opposition to the governmental proposal – a development we come back to later.

The Duma elections did not only bring in the new people. Some of the “old blood” involved in the reforms in question was pumped out, too. Such was the fate of two MPs who authored alternative labour code proposals and introduced them in 1999 in parallel with the governmental bill. Anatoliy Golov from Yabloko party presented a moderately liberal code, whereas Teimuraz Avaliani came up with a very leftist proposal. Neither was expected to receive much support, though, especially since their authors failed to get reelected.

In the pensions reform the major Duma-related development was the decline in communist representation (as communists were expected to be most difficult to bypass, see endnote 7). But even more important was the replacement of the old head of the Pensions fund Vasiliy Barchuk with the more energetic and cunning Mikhail Zurabov prior to elections, in May 1999. Zurabov succeeded at accumulating some political weight by ensuring timely payment of the old-age pensions and thus securing senior citizens' support for Edinstvo and Putin during elections (Rabina 1999). His arrival marked a significant change in the PFR strategy towards the reform and the Fund's more active involvement in its discussion.

Finally, following the presidential elections a new government was formed, which brought along a new comprehensive reform program. The program has been prepared under the auspices of the newly established Centre for Strategic Research (CSR) since December 1999. A group of liberal economists in charge of the program was chaired by German Gref. As soon as the program was ready in late May 2000, it was presented as a ten-year plan for socio-economic development, Gref appointed the minister for economic development and trade to implement it. As for the Strategy itself, it was approved by the government as “Main directions of the socio-economic policy of the Russian Government for the long-term perspective” (also known as Gref program or Strategy-2010) in summer 2000.

One would expect this to lead to a change in the governmental stance. Yet, despite a daring breakthrough in the general reform strategy, the changes in governmental position on pensions and labour reform were minimal thanks to Mikhail Dmitriev's early involvement with the CSR. As Dmitriev was put in charge of the labour and pensions in the team, he could secure continuity with the course of reform pursued before 1998. And once Gref assumed a position of minister, Dmitriev became his first deputy and, once again, the major driver behind governmental attempt to reform pensions and labour relations.
When this happened in July 2000, though Dmitriev's take on labour and pensions remained largely the same, the position he found himself in was relatively novel. As pensions reform shows, securing support of his fellow-liberals proved not enough as the government in general and president Putin still remained undecided. A fight with the old bureaucracy and the PFR lay ahead. This became clear already in the process of adopting the governmental reform program. Its early drafts were critical of the Pensions fund policies in the 1998 crisis aftermath, pointing out the inflationary nature of the PFR's effort to reduce its debt and scrape up a surplus to raise pensions before the elections (an achievement Zurabov took personal pride in). Indeed, as inflation soared in late 1998, this discounted pensions relative to the growing earnings, and it became “cheaper” for the PFR to pay the pensions (Tsentr strategicheskikh razrabotok 2000, 21).

With this argument, Dmitriev intended to thrust at Mikhail Zurabov and to prove unsustainability of the redistributive model, but of course such flexibility might have seemed a useful feature to a politician expecting to face reelection in the future. After some bureaucratic infighting over the final text of the reform program to be adopted by the government, the section on pensions reform was significantly reduced, and Dmitriev had to retreat to a position of “minimal revision of the governmental reform program as adopted in 1998”, without going too much into details (Ministerstvo ekonomicheskogo razvitiya i torgovli Rossiyskoy Federatsii 2000, 69).

The new pensions reform project prepared in the Ministry for economic development already by mid-2000 was indeed very similar to the 1998 proposal. To ease its passing, it was positioned not as a separate document, but rather as an implementation measure for Strategy-2010. However, nothing followed and virtually nobody paid any attention to the proposal when it was published (Maleva and Sinyavskaya 2005, 22–23). Apparently, there was no consensus over what the reform should look like in the governing elite. The following quote from Mikhail Dmitriev is revealing:

As for the ways to conduct the reform, Putin and the government proved hostages to narrow expertise concerning the reform. By that time several expert groups [...] participated in the development of the pensions policy… At the end of the day, the clash happened over the question of whether to introduce the accumulative element… The choice Putin and his colleagues faced was limited by what the professional experts were able to propose them (Dmitriev 2011, 204).

Thus pensions reform got stuck on the initiation stage as the government remained unresolved, and the uncertainty only increased throughout 2000.
This could possibly be avoided if the reform was already on the table and beyond the governmental control, that is, if the proposal was already in the Duma. This, too, would be a mixed blessing, however, as the situation in the labour reform showed. While the reformers were busy preparing the Strategy-2010 in the first half of the year, the new unionists in the Duma managed to organize into a coherent group and submitted their alternative draft code, a document that kept many of the guarantees of the old KZoT to workers and the unions intact, and differed very significantly from the more market-oriented governmental proposal. This upset the existent fragile balance of having to choose between three proposals, two of which were relatively similar (and moderate), and the third sponsored by communists and very unlikely to harvest any extrafactionsal support. The hearings of the working group planned for late May had to be postponed in order to allow the MPs to examine the unionist proposal, which shifted the timeline to the autumn session (Khayrullin 2000).

“The group of eight” (as the eight MPs behind the unionist code proposal were dubbed) took this time to build up support for their initiative. In a remarkable show of strength they organised a fierce media campaign against the “liberal” Code and used Gref’s and Dmitriev’s personality (both reputed as cut-throat liberals) to label it antinational and antilabour. Ironically, though Dmitriev was promoting the proposal, the governmental draft was not very dear to him either. As he explained in an interview in October 2000, the government planned at pushing the Code through the Duma in order to at least liberalise hiring and firing practices, and then amend it in the years to come (Reznik 2000).

This change of hearts was not as much a concession to the Duma, but rather to the president who wanted the labour code adopted as soon as possible. As time went by it became clear though that taking a more moderate stance did not work. The preliminary hearings in October 2000 turned into a clash between the government officials and the Group of eight accusing the government of committing “the most large-scale violation of labour rights” (Sazonov 2000). It was clear that the first reading planned for December would fail.

The government sought ways to overcome Duma reluctance to support its proposal. Previously the very factiousness of the Duma allowed the government to build support even for its most controversial proposals without having to cede too much. This proved impossible in the labour reform because the Group of eight was build across faction lines: the group leader was Andrey Isaev from OVR, but part of the group came from the communist party, and there were also SPS and Edinstvo MPs. All of them were unionists and were more responsive to their union constituencies than to the party discipline (generally very low at the time).
Alternative solution was to build a counter-coalition within the Duma to split the vote and win some advantage for the governmental draft. At Dmitriev's suggestion such a group formed around SPS MP Andrei Selivanov. The group composition mirrored that of the Group of eight: it included eight MPs from different parties (SPS, Edinstvo, LDPR), which led to allegations that the motion was a maneuver to confuse the MPs before the first reading (Zakatnova 2000). The text submitted by the “impostor” Group of eight was also very close to the liberal draft prepared by Dmitriev in 1997, as if intended to underscore the moderateness of the official governmental proposal (Boguslavskaya 2001), and send a signal that the government could play harder.

Yet, this did not matter much when it came to voting on December, 21. The Group of eight succeeded at blemishing the Code as utterly capitalist in the public opinion, and thus made it almost impossible for a median Duma MP to support openly. During the first reading the argument was so heated both sides preferred to postpone the reading for March.

Thus, uncertainty, already high in early 2000, only increased by the end of the year, both in the labour reform, where a fierce conflict in the Duma escalated and spilled out in the streets, with five draft proposals now awaiting consideration (instead of just three in the beginning of the year), and in pensions where Mikhail Zurabov and Yuri Lublin effectively blocked Dmitriev's attempts to reform the area. The final solution to overcome this uncertainty was found step-by-step in the early 2001 and implemented by the end of the year. All of its elements would be retained in the future and became the regime modus operandi.

First, one lesson of the labour reform was that sometimes the government could not just bring in a proposal and wait for the Duma to approve it. A structure to negotiate and coopt at least some of the union strongmen must have first been created. In this situation, the standard practice would be to convene a conciliation committee at the Duma (which the Group of eight insisted on), but the experience of debating the issue publicly in late 2000 proved this would likely be counterproductive. The government sought a separate arena to discuss the issue, probably wishing for a backroom deal.

It borrowed the solution from the pensions reform, where a similar problem existed with the PFR and the old labour ministry bureaucracy barring Dmitriev's attempts to introduce an accumulative element to the pensions. To reconcile these positions the National council for the

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12 The minister of labour Alexander Pochinok who lobbied for the Code in the Duma was desperate. When Pochinok's wife gave birth to their son in December 2000, Valentina Matvienko, the then vice-prime minister for social affairs, congratulated the recent father by wishing him to have the labour code adopted at least before his son starts working himself (“Kak Na Petiny Imeniny...” 2000).
pensions reform was convened in February 2001. It engaged all the main stakeholders, including German Gref to represent the reformist wing in the government, the minister of labour Alexander Pochinok, and Mikhail Zurabov. The council also sought to preempt hearings in the Duma labour committee, known to be problematic as it was chaired by the communist Valery Saykin.

To make semblance of a broader public debate, representatives of all the Duma factions and some social organizations were invited to participate. This led to the invention of a useful form of anticipatory accommodation of interests that was soon labeled “zero reading” (nulevoe chtenie) and was used extensively with the most controversial bills, and when adopting annual budgets (Lyubimov 2005, 4). Such extraparliamentary deliberation helped sidestep the Duma politics: it allowed the government negotiate a solution that the MPs could support without being caught red-handed by their constituencies.

Driving the discussion away from the committee hearings and the first reading gave the advantage of hiding it from the public eye. Yet, it also decreased legitimacy of the procedure which it now needed to draw somewhere else. The minor source was engaging social organizations in the deliberation, thus allegedly making it more public and open (though, of course, nothing compares to the publicness of the December 2000 Duma hearings on KZoT). Using this source would later grow into an industry of its own, its single most important manifestation being creation of the “parallel parliaments” and the Public chamber in particular (Remington 2010, 52–54). The roots of this practice are to be found in these early attempts to circumvent the communist-controlled Duma labour committee.

Yet, this was only a minor decoration to the more important source of legitimacy, namely, to Vladimir Putin's personal involvement. Thus, the National council for the pensions reform was a presidential council (sovet pri prezidente), and the decisions taken were sanctified by Putin's arbitration and authority (“Interv'yu S E.Sh. Gontmakherom” 2001). This placed Putin into a position of choosing sides.

In the pensions reform Putin chose to side with the more conservative duo of PFR and the Labour ministry. Thus, despite there already being a proposal prepared by Dmitriev in summer 2000, it was the Ministry of Labour and the PFR put in charge of preparing the consolidated version of the reform to be considered at the National Council meetings (Maleva and

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13 A trial balloon to check how Saykin's committee would work were minor amendments to the KZoT that renamed two bank holidays. One of the two was in fact the old October revolution day, renamed to become the Day of accord and reconciliation. The committee blocked the amendment (Sadchikov 2001a).
Sinyavskaya 2005, 23–24). This marked a departure in technology of preparing reforms, as the more radical ideas now had to be embedded in the more moderate reform package. This removed the bureaucratic resistance, but also made reforms less comprehensive.

The solution found must have been efficient enough, as it only took two meetings of the Council to adjust the proposal in a way “that side-stepped all the really controversial questions” (Tompson 2002, 951), co-opted the sufficient proportion of the ruling elite and gained the support of the minimal winning coalition in the Duma. On April 17, 2001 the Reform Program was adopted by the Government and already in July several pieces of the pensions reform legislation were approved by the Duma in the first reading. The whole package of the three main pensions laws passed the second and third readings by the end of the year, were signed by the President in December 2001 and entered into force on January 1, 2002.

The three elements of this solution – insulation from political pressures and from the Duma publicity, Putin’s personal involvement, and relegating the task of preparing proposal to the more conservative party – were smoothed out in the labour reform. Instead of the more formal conciliation committee, a working group was created that included members of all parties and government officials. Again, its main goal was to avoid the social affairs committee hearings and negotiate a new Labour code in private.

As the negotiations kept stalling, Vladimir Putin got involved and asked the parliament to “speed up revision and adoption of the Labour code” in his 2001 address to the Federal Assembly. He also insisted on the new Code being developed on the basis of the governmental draft. Initially this proved hard to do, though. The way out of the deadlock was found when the government managed to split the unionist coalition by proposing the FNPR a near-monopoly status compared to the other unions. This was achieved through introducing a single collective agreement clause to the draft Code, and fixing the minimal membership threshold for a union to bargain with employer at 50% of all the employees. The deal was sealed when Putin endorsed Mikhail Shmakov, the incumbent president of FNPR, which helped him get reelected (Kadik 2001). This paved the way for a consolidated Code to reach and pass the first reading in July 2001, and then be adopted by late December 2001.

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14 The working group coordinator Oleg Kovalev from Edinstvo would later acknowledge it was a huge advantage that the labour code was not prepared by the social affairs committee as “certain parties may have a numeral superiority in a committee, whereas in the working group all factions are represented proportionately, which is very important to keep the right balance of interests” (Sadchikov 2001c).

15 As the audience started growling, Putin grinned and toned it down by adding: “I said ‘on the basis of [the governmental draft]’, ‘on its basis’” (“Poslanie Federal'nomu Sobraniyu Rossiyskoy Federatsii” 2001, 47:50).
CONCLUSION

We have already pointed out one of the broader political consequences of the labour and pensions reform – the resort to extraparliamentary and extranconstitutional mechanisms of decision making. First devised as an ad hoc solution reformers used to overcome resistance to their initiative in the Duma through establishing working groups, this practice then developed into “zero reading”, and would later result in Duma depoliticisation (with the would-be speaker Boris Gryzlov famously stating he believed the parliament should not serve as a ground for political battles) and an attempt to relocate public politics into a whole new institution of the Public chamber.

The reforms also contributed to the nascent corporatism in state-society relations in a more direct manner. The new Labour code introduced a number of measures to weaken unions and make organising a lawful strike almost impossible. In many cases the FNPR was the only union to meet the 50% membership requirement introduced by the Code, and therefore the only union to gain from the new legislation. The idea behind this measure was to induce union consolidation in order for the government to have a constructive partner when it came to reforming health care and social benefits (Travin 2002). Although it eased the reforms in the Duma, the consolidation did not occur and the FNPR remained detached from the society at large. The government thus did not get the partner it aspired for, but managed to organize a facade it could deal with more comfortably, while ruining everything behind it.

There was also a more immediate though rarely noticed consequence which still defines the Russian political landscape. Initially the governmental strategy with the Duma was to build ad hoc coalitions for every bill it promoted. As passing the labour reform through the Duma was a traumatic experience and ultimately proved such a hassle, the government decided to change its strategy and sought ways to build a more reliable parliamentary coalition to support its initiatives. Initially such a coalition was formed through the so called coordinating council which united the leaders of four factions: Edinstvo, OVR, Narodnyi deputat and Russia's regions (Regiony Rossii). But creating the coalition did not bring discipline, with party officials still thinking their factions can vote the way they like when the coordinating council fails to negotiate a common position (Sadchikov 2001b).

This was not the way the Kremlin meant it and, as a contemporary observer mentions, “at this point... the decision was made within the administration to put more pressure on Yuri Luzhkov to persuade him to merge his party [OVR] with Unity”, one of the purposes of such unification
being “to speed up the adoption of the labor code” (Glinski-Vassiliev 2001, 4). Already after the merger leaders of the new party acknowledged the reason for merger was to avoid the problems they encountered with the social legislation: Sergey Shoigu regretted the merger did not occur in 1999 for it would “raise the problems they faced with adopting the land and pensions legislation, and labour code” (Vinogradov 2001). Thus difficulties the government encountered with these reforms contributed directly to the midterm reorganization of the party landscape.

There are some indications the government did not plan for such a reshuffle before the standoff with the unions in the parliament. Indeed, it would take a lot of effort to herd the OVR into a new party in 2001. The regional governors and politicians standing behind this project did not construct the OVR in 1999 to hand it over easily, so dismantling the party would be painful and risky. The government could foresee that, and initially opted for a more timeconsuming solution of reforming the electoral and party legislation for the long term from above (a task the head of the election commission Alexander Veshnyakov was charged with in summer 2000), without messing with the parties directly, but rather committing the rest to a natural development of the party system responsive to these changes. The development would only take effect in 2003 with the next elections hopefully returning fewer and stronger parties to the Duma. In the meantime, to secure Duma majorities the government would have to resort to ad hoc coalition building.

After the labour reform this more systemic solution was dropped, and the choice was made in favour of artificially creating a new Kremlin-sponsored party of power. This produced some far-reaching externalities though. First, and most importantly, this meant getting rid of some of the notables active in the OVR (such as Yury Luzhkov or Evgeny Primakov) and tying the party's hands to secure its obedience. As this happened, and the so-called “professional patriots” gave way to “patriotic professionals” (see Hale 2005, 83), there remained less hope for a natural victory for the new party in 2003, and measures to ease that victory had to be introduced. This paved way for the notorious manufactured majority in the fourth Duma in 2003-2007 (Golosov 2005), and the regional machines became the regime's best friends.

Second, this intervention by Kremlin conditioned the behaviour of those political heavyweights who still remained in politics. Many of them were unconvinced in 2001 and preferred to keep out and develop their own political projects instead. Take the case of Gennady Raikov, head of the pro-government Narodnyi deputat faction, who did not want to join the United Russia straight off and created a party of his own instead (Popular party, Narodnaya partiya). In 2003 he observed his party being smashed and only gain around 1% in the party list contest, and was quick to bring his 17 hard-earned single-member seats to the United Russia. Being an
experienced politician, he would have chances competing with the United Russia if the playing field was more level, as was initially intended by the legislative reform. Or, alternatively, he could join the United Russia before the elections if it allowed for more independence and did not mean delivering whatever the Kremlin asked for. But as the Kremlin pumped in support for United Russia through regional political machines and generously spiced it with Vladimir Putin handshakes, there remained no room for the more independent politics.

The course of the labour and pensions reforms also influenced the position and future role of the Communist party. The 2000 deal between Edinstvo and the KPRF left the latter with the social affairs committee which was headed by Valery Saykin. Saykin therefore controlled the direct route towards Labour code adoption, and it was through him that the reform should have been passed. Yet, he also belonged to the Group of eight, and by the early 2001 it became clear that he was willing to block the government-sponsored draft Code at the committee level (see endnote 10). This redirected the government's reform effort from the more obvious Edinstvo-KPRF coalition towards the less likely union with the OVR MPs who had more to lose from it (as their primary constituency and main political resource were the unions) and would be more difficult to persuade.

The communists must have been mistaken to overestimate their leverage and underestimate the resolution of the government to proceed with the reform it envisaged. Though a gross miscalculation, it was a mere contingency. Yet, as the government consolidated its positions in the Duma, this dealt a heavy blow to the communist opposition. The 2000 compact between Edinstvo and the Communist party was revised, and communist chairmen of the Duma committees ousted. Estranged from the parliamentary politics, the communists were left with the only meaningful strategy of pleasing their core electorate by obstructing any policy the government proposed, and escaped politics for the years to come.

The same fate awaited the reformers on Putin's team who would soon be sidelined either to technical tasks within government, or to specifically economic areas (where they had the valued expertise). First such case was Mikhail Dmitriev who championed the ideology behind the labour and pensions reforms within the CSR and authored the reform drafts for the government, but had his role confined to amending the working proposals by the Pensions fund and the Group of Eight already in the early 2001 as this became the preferred mode of reform. As the government became more dependent on the United Russia, it also distanced from the reformers. Dmitriev fell off with the United Russia functionaries in 2003 and left government in 2004.
All of this conforms to the predictions of the theory we put forth. As part of the reform process, a structure of co-opting interests was constructed that initially served these two reforms, but was later institutionalised in the form of the United Russia party. This structure was built with a goal to create a coalition to ease the reforms, but members of this coalition became the backbone of Putin's regime in the next few years and still remain in power. This, as well as the lasting alliance with the FNPR, is an illustration of the policy cooptation effect. The introduction of the “zero reading” and further development of this practice, as well as some informal institutions devised to ease backroom negotiations and the reform techniques, is an example of the institutional learning effect. Finally, adopting and retaining the roles some players, and the Communist party in particular were assigned during reforms, is an instance of the behavioural learning effect.

The reforms of the first Putin administration were an important factor in moulding the political regime into its present-day form, including its corporatism, secondary role for the parliamentary politics, prevalence of the informal institutions, reliance on a single party and machine politics, and weakness of the opposition. Most importantly, and contrary to the state of the art in transition theory, these regime dynamics were far from ordered, and the logic of this process far from teleological. There was a lot of uncertainty over which coalitions form and where this leads Russian politics institution-wise, with alternative developments available and contemplated by the major actors. Yet, the uncertainty resolved towards the less institutionalised and more autocratic trajectory, and the circumstances that conditioned this solution were mainly those related to the pensions and labour reforms in 2000-2001.

Of course, it would be far-fetched to say it was only the labour and pensions reforms that led Russia to autocracy in the early 2000s. One is to take the results reported in this article with caution, as we only analyse two of the many reforms conducted in the early 2000s, and part of the explanation may owe to the other factors or other reforms (i.e. the tax or land reform). Analysing these reforms in terms of the theory suggested here would improve our results, but this remains a subject for future research.

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