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**MEASURES ASSOCIATED WITH THE CLOSURE OF COAL ENTERPRISES  
IN THE RUSSIAN FEDERATION AND MITIGATION OF THE ADVERSE  
SOCIAL IMPACTS OF THEIR LIQUIDATION**

**(Report transmitted by the Government of the Russian Federation)\***

1. The process of restructuring in the Russian coal industry, which began in 1993-1994, was a natural step in the overall reform of the Russian economy. During the most recent stage of the restructuring, particular emphasis was placed on the liquidation of loss-making units. As a result, over 93% of enterprises which were making particularly large losses, had poor prospects and were dangerous in mining and geological terms stopped mining coal and are currently in liquidation. Mining has now ended at 176 coal enterprises; at 164 of them the main technical operations associated with liquidation have been completed, while at the remaining 12 such operations are continuing.
2. The content and manpower requirements of the liquidation operations involved in the closure of the coal mines which were making particularly large losses and had poor prospects are set out in table 1.

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\* Prepared by V.N. Popov, Director of the State Institution for the Coordination of Local Development Programmes and for Tackling Social Problems occasioned by the Restructuring of Coal Industry Enterprises (Sotsugol), Ministry of Energy, Moscow, 2002.

**Table 1**

**Content and manpower requirements of liquidation operations associated  
with the closure of coal mines making particularly large losses**

Description of liquidation operation	Manpower requirement for the operation as a percentage of the requirement of the entire process of liquidation
Closure of mine workings	6.1
Dismantling of buildings and equipment on the surface	2.5
Clean-up of mining concessions	25.4
Ensuring the viability of facilities which will remain in operation after mine closure	22.2
Reconstruction and replacement of social facilities in mining towns and settlements	22.2
Demolition of dilapidated housing	0.2
Assistance to citizens in acquiring housing to replace demolished dilapidated housing	21.4
<b>Total</b>	<b>100.0</b>

3. During the years of restructuring (1994-2001), 12,300 miners' families were resettled from demolished dilapidated housing. A further 23,800 families are scheduled to be resettled from demolished dilapidated housing in coming years.

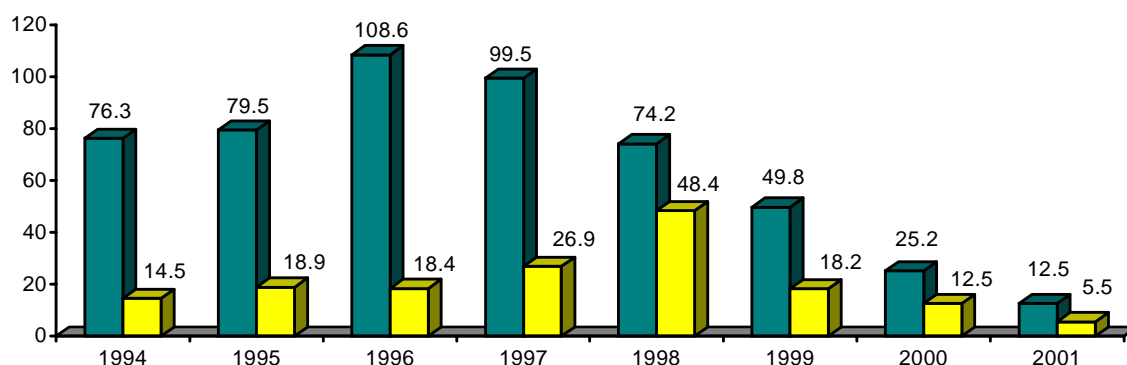
4. Currently the most important task in the concluding phase of restructuring of the coal industry is the construction or reconstruction of social infrastructure in mining towns and settlements, and social benefits for redundant workers.

5. The period of restructuring of the Russian coal industry from 1998 to 2001 may be designated a period of social focus, since major socio-economic issues were addressed.

During this period new methods were devised and implemented for the provision of social benefits to the redundant workers, the drawing up and implementation of local development programmes, the provision of jobs to the population of working age in mining towns and settlements, and the conduct of socio-economic monitoring in the country's various coalfields.

6. The evolution of redundancies among coal sector personnel is illustrated in figure 1.

**Figure 1. Evolution of redundancies among coal sector workers**



■ Total drop in the number of workers in the coal sector (thousands).

■ Of which, number made redundant or dismissed from enterprises in liquidation (thousands).

7. Over the entire period of restructuring in the coal sector (1994-2001), the total number of those employed in the sector dropped by 520,100, from 859,600 to 339,500, a fall of 61.5%. During this period 163,100 persons were made redundant in enterprises in liquidation (31.3% of the total drop in manpower).

8. The fate of the staff made redundant in enterprises in liquidation is indicated in table 2.

**Table 2**

**Fate of redundant staff during the liquidation of coal industry enterprises**

Description of the fate of redundant staff	Proportion of all redundant staff (percentage)
Retirement on pension	13.6
Redundancy with separation payments, followed by individual job searches by redundant staff	44.4
Transfer of redundant staff to operational enterprises in the coal sector and other sectors	23.7
Other	18.3
Total	100.0

9. Over 60% of the workers made redundant in enterprises in liquidation during the entire period of restructuring were working in four coal industry areas: Kemerovo oblast (28%), Rostov oblast (21.1%), Perm oblast (8.3%) and Primorsky territory (7.5%).

10. All the redundant workers were given all the social benefits stipulated in current legislation. Benefits for redundant workers were provided both to those in enterprises in liquidation and to those in operational enterprises.

11. The breakdown of expenditure on social benefits for redundant workers over the period 1998-2001 was as follows:

Separation payments and other compensation	17.3%
Provision of free coal to pension recipients and other entitled persons	25%
Payment of wage arrears	57.7%.

12. In addition, until the beginning of 2002 social benefits provided for in the wage agreement for the sector were paid for using State support funds.

13. The introduction of non-State sectoral pension provision in 1994 was of great significance in terms of social benefits for redundant workers in the coal sector. Around 100,000 persons are currently receiving a supplementary pension. On average the value of the sectoral pension stands at 15% of the State pension.

14. The amount spent on State support for the main types of social benefit during the period 1998-2001 varied with the significance of social problems.

The main share of funds in the period 1998-2001 was spent on payment of wage arrears, which had accumulated as a result of non-payment for coal output, barter deals, poor financial management, etc.

Beginning in 2001, the main share of expenditure on social benefits was reoriented to the provision of free coal, whose share rose together with the number of enterprises in liquidation, the number of pension recipients receiving coal and the price of domestic fuel. At present over 90,000 people receive free coal.

Addressing the problem of employment for redundant workers in coal towns and settlements is a major component of the measures to mitigate the social impact of the liquidation or shrinkage of the coal sector in coal-producing regions.

15. During the period 1998-2001, the labour markets in the coal-producing regions were monitored, producing findings which will serve as a basis for decisions on job placement for workers from enterprises in liquidation.

16. Whereas in 1999 the share of coal workers in the total number of unemployed persons among all categories in all regions receiving allowances from the employment service was around 3.5%, the share had fallen to 1.1% at the beginning of 2002. Nevertheless, there are still coal-producing areas where the unemployment level is above the regional average. More than 45% of coal-producing areas, in which State support funds for the creation of new jobs are distributed, fall into this category.

17. With a view to reducing social tension, employment opportunities were provided for redundant workers from enterprises in liquidation on local labour markets in coal-producing regions in the period 1998-2001, as follows:

(a) The transfer of workers to operational enterprises in the sector, enterprises in other sectors, etc.;

(b) The creation of new jobs.

18. Out of the almost 177,000 workers made redundant in enterprises in liquidation during the period of restructuring, jobs were found for the following:

Roughly 80% were transferred to operational enterprises in the sector;

Around 13% were transferred to enterprises in other sectors or to social facilities in the municipal sector;

Around 7% were transferred to newly created non-specialist jobs.

19. New jobs are being created under programmes for local development and employment promotion which have been developed and implemented since 1998.

In 1998 such programmes were being implemented in 22 coal-producing regions and 66 local coal industry units, rising to 24 regions and 78 units in 2001.

20. Local development programmes contain provision for a variety of forms of State support. The distribution of funds earmarked for the implementation of local development programmes in 1998-2001 is indicated in table 3.

**Table 3**  
**Areas of implementation of local development programmes**  
**and breakdown of funding**

Area of implementation of local development programmes	Funding as a percentage of total funding of such programmes
Fostering the creation of new jobs	42.6
Fostering the resettlement of miners' families from mining towns and settlements located in regions of the Far North and equivalent localities whose prospects are poor	32.3
Organization of community work to provide temporary employment	15.0
Support to small businesses	8.4
Careers advice and retraining	1.1
Provision of pre-dismissal advice	0.6
Total	100.0

21. During the period 1998-2001, 27,000 new permanent jobs were created and some 20,000 persons were provided with temporary work under the local development programmes.

22. During 1998-2001, with Government support, social experiments were conducted in the provision of targeted subsidies for the organization of entrepreneurial activity (Rostov oblast) and in the granting of housing certificates to assist in the resettlement of miners from coal-producing regions where coal enterprises were the sole or dominant employers and were completely liquidated during restructuring (Perm oblast, Kizel coalfield).

23. The coal sector has shrunk considerably in the districts of the Far North and equivalent localities. In that connection a substantial volume of State support funds is being spent on resettling former miners from those districts. Between 1998 and 2001 around 3,000 families were resettled from the coal-producing regions of the Russian Federation (the Komi Republic, the Republic of Sakha (Yakutia), Sakhalin and Magadan oblasts and the Chukchi autonomous area), with first position going to the Komi Republic (58.4%).

24. I wish to point out in conclusion that the efforts carried out in 1994-2001 to provide social benefits to workers made redundant during the restructuring of the coal sector helped to stabilize the socio-economic situation in the coal-producing regions.

As a result of the closure of the mines making particularly large losses and the upgrading of the overall standard of mines, labour productivity in coal mining has risen by almost 20% since 1990.

When assessing the social problems arising during the restructuring of the coal sector in Russia, it is essential to point out that these problems have been and are being addressed in a context of economic instability. However, despite these difficulties, many of the acutest social problems stemming from the restructuring of the coal sector are being successfully tackled.

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