Mutation of HRM Practices in Russia – An Application of CRANET Methodology

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Abstract

Purpose - The paper describes the strategic actions Russian companies are currently pursuing in order to cope with the recession and to depict the challenges for the established practices and patterns of human resource management

Design/methodology/approach –

The paper is based on the results of CRANET survey, administered in Russia in the third quarter of 2008, and on CRANET data available for Bulgaria and Estonia.

Findings – Russian HRM practices are based on low unionization of labor force, low formalization of performance assessment, great versatility of payment arrangements, and moderate flexibility of working and contractual arrangements. This will create good possibilities for Russian companies to implement cost leadership strategies during the recession.

Practical implications -- In order to rapidly expand competences and to improve innovative capacities Russian companies do need much ingenuity – they simply have to dare to establish the "reverse" practices of human resource management.

Originality/value – There is the first even application of CRANET survey in Russia.

Keywords: human resource management, economic recession, strategic trajectory, surveys

Category: research paper

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Introduction

Russia, along with other European countries of the former Soviet Union (Estonia, Latvia, Lithuania, and Ukraine) was hardly affected by the outcomes of the world financial crisis. The sharp fall in industrial output and reduction of other types of economic activities provoked massive lay-offs. From September 2008 to May 2009, the number of unemployed (by ILO's definition) in the Russian Federation rose from 6.2 to 9.8 % of the economically active population, thus creating a completely new socio-economic "landscape".

In our paper we will try to describe the strategic actions Russian companies are currently pursuing in order to cope with the recession and to depict the challenges for the established practices and patterns of human resource management. In our description of the strategic actions we rely on the results of a convenient sample survey of Russian executives, administered in the first half of 2009 (see Gurkov, forthcoming). In depiction of existing practices and patterns of human resource management in Russia we use the results of CRANET survey, administered in the third quarter of 2008, just at the eve of the crisis. We also use some outcomes of our previous studies on Russian HRM practices (see Gurkov, 2002; Gurkov and Zelenova, 2009). In international comparison we rely on CRANET data available, namely the data for the countries with the similar communist past (Bulgaria, Estonia).

The paper is organized as follow. In the first section we evaluate the changes in competitive position Russian companies have experienced in the past six months, and the likely strategic trajectories planned for implementation or currently being implemented. In

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the second section we outline the most important characteristics of the prevailing system of HRM in Russia. The third section contains our speculations about the likely alterations of the established practices under the impact of economic depression.

1. Repositioning of Russian companies and possible strategic actions to escape the "recession trap"

If we try to present the common outcomes of the financial crisis in Russia, the most obvious case will be the massive repositioning of Russian companies along the three measures of competitiveness – unit costs, perceived prices, perceived use value (quality).

Three factors made the sharp rise in unit costs almost inevitable. First, the drop in the world demand for raw materials and industrial supplies (the dollar value of Russian export was in January-May 2009 merely 53% from the level of January-May 2008) led to the fall in capacity utilization of companies in the export sectors (oil, gas, metals, fertilizers etc.). The worsening of business conditions for export-oriented companies led to the fall of demand from their local suppliers and quickly provoked the overall recession in local consumer markets. This also led to the rise of unit costs. Second, as the accumulated stock of imported supplies and components has dried up, Russian companies were forced to import goods accordingly to the prices nominated in Euro and US Dollar. Taking into account the devaluation of the Ruble by 30% in the last months of 2008, that made all imported goods automatically more expensive by 25-30%. The bigger the share of imported components, goods and services was in the total supply of Russian companies, the bigger was the rise in unit costs. However, the third component of production inflation

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has had the most destroying effect as it was not properly accounted. We mean here the rise of the cost of capital. Here, again, we may retrace two sides– the overall scarcity of capital resources and the price for equity and credits. The overall scarcity of capital resources were stipulated by the extremely high level of net capital outflow (US$ 147.9 billion in the second half of 2008 and further US$30 in the first quarter of 2009; the total capital outflow over the past 12 months was 15% of Russia's GDP and two times bigger than the total amount of all realized and planned anti-crisis measures). Thanks to the timely governmental measures of injection of liquidity into the banking system the credit resources have not experienced the same extinction as the equity. However, unlike for equity, the price for credit resources increased dramatically. For large Russian companies that borrowed mostly from foreign banks (the total foreign corporate debt in October 2008 reached US$500 billion) the devaluation of Ruble signified the increase by 25% of both the principal and the interest rates. For smaller that borrowed mostly from local banks, there was not such dramatic increase in the principals of credits, but the interest rates rose from 12% in August 2008 to 22-25% in June 2009).

All together (decrease of demand, the rise of prices of imported supplies, and the rise of price of financial resources) did not allow Russian companies to use discounts and sales as the mean to promote demand. As the absolute wholesale prices remained mostly stable and retail prices increased (annual inflation rate in Russia reached 12.3% in May 2009), the perceived prices (the percentage of the total expenses spent on purchase of a specific good or service) have increased too. This not only led to the further erosion of demand from both firms and households, but also had a profound impact on the third measure of competitiveness – the perceive use value (quality). It is commonly believed that the price

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and quality are closely interconnected in shaping the consumer choice. Usually marketing research deals with particular aspects of quality that justify the price demanded. However, we should see the reverse relationship as well – the level of perceived price does justify the particular demands for goods and services' features. Thus, as the perceived prices are increasing, the customers are eager to demand the increase in quality. In such conditions, even if the absolute product characteristics remain the same, the customers are inclined to see the perceived use value as deteriorating.

We should remind here about the hidden source of all particular indicators of company competitiveness – the company's competences. During the times of rapid changes in economic environment, the key element of company's competences is innovative capabilities. In our previous study we presented the very slow path of accumulation of innovative capabilities of Russian firms. We have seen that such actions as "pricing for new products", "achieving the necessary quality levels for new products", "selecting the qualified workforce" became more difficult in 2000-2004. That trend was extended in later years (see Gurkov, 2006). Thus we may expect further erosion of companies' competences during the rapid and unpredicted changes in market conditions.

The above reasons make clear the general drift of competitive positioning of Russian companies – the rise of unit costs, the rise of perceived prices, the fall in perceived use value, and the drop in company competences (see Figure 1).

Insert Figure 1 here

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Companies, "entrapped" into the combination of higher costs, lower quality and higher perceived prices have no much room for maneuvering. The conservation of the situation provokes further erosion of competitive position and endangers the very existence of a company. There are two obvious options to get out of the "recession trap". The first option is to pursue "cost leadership" (in Michel Porter's terms). To do so the company must find the ways to save not just on total, but on unit costs and make more appealing price offers. The problem here is that massive cost reductions are usually accompanied by compromises on quality, so the company enters into the spiral of further downgrading and moves on towards the very low end of quality scale.

The second option is to embark on differentiation strategy (again in M. Porter's term). Here the company must invest into competences and by doing so it will try to improve quality up to the level that corresponds to the increased perceived price. The danger here is that investments usually lead (at least, in the first periods) to increase in unit costs.

The outlined options of coping with the crisis are also depicted in Figure 1 as strategic trajectories along the four dimensions of competitiveness (perceived price, perceived use value, unit costs, and company's competences) – Strategic Trajectory 2 for cost leadership and Strategic Trajectory 3 for differentiation.

Each option presents clear challenges for HRM policies. In the first option the major task is to reduce labor costs but to preserve productivity level. In the second option the major task is to find the ways to regain company's competences.

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The results of our surveys of company executives, administered in the first quarter of 2009, demonstrated that most factors that are traditionally used in strategic studies for explanation of patterns of strategic choice became irrelevant in the present conditions of economic recession. First, we definitely proved that "leadership" factors (attitudes of the CEO towards risks, the temperament of the CEO, the length of service of the CEO in the present position) have no significant impact on the realization or preparation of different strategic options. The company size (measured either in total sales or in the number of employees) also has no significant influence on selection of strategic options. Finally, various measures of company's competitiveness (assessment of price, quality and costs prior the recession) have no definitive role in choosing between anti-crisis trajectories (see Gurkov, forthcoming). Thus, we expected that some traits of Russian human resource management system create the natural background that facilitates or impedes the realization of particular anti-crisis measures.

2. General and specific traits of Russian human resources management system – an application of CRANET methodology

There is no need to present the CRANET study as it was carefully described in a number of publications (see Brewster et al., 2000; Brewster et al., 2004; CRANET, 2006; Morley et al., 2009). The great advantage of CRANET methodology is the possibility to design various measures and constructs based on an extremely reach battery of variables depicting HRM practices.

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The CRANET questionnaire was initially designed to reveal the subtle differences in HRM practices across a few Western European countries, and further it was expanded into 40 countries of four continents, with large differences in socio-economic development. Thus, the CRANET survey in many ways was re-oriented to re-trace the fundamental treats of national HRM systems. However, still many CRANET questions are oriented towards the trifling points of routine HRM administration in "peaceful" circumstances.

Our first task was to select the questions that give a picture of the fundamental issues of HRM during not only the hard times, but in the situation of complete strategic disorientation. Thus, the questions on distribution of power in HRM issues between HRM officers and line managers, on E-HRM facilities, on methods of employee development and communication, i.e. the questions that occupy the major place in CRANET questionnaire, became unimportant for our study. Our task was further aggravated by the desire to design the set of constructs that may help us with the key research issue – to predict which type of strategic trajectories (cost leadership or differentiation) have greater chances for implementation under the existing settings of HRM practices. So the questions related to the pre-recession employee turnover, pre-recession performance of companies, pre-recession strategic intents also became irrelevant.

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After careful investigation of the CRANET questionnaire we designed the following constructs:

- The possibilities for collective bargaining (degree of unionization and forms of collective/individual remuneration).
- Flexibility of working arrangements.

- Formalization of performance assessment.

In addition to the CRANET questionnaire, we added a supplementary construct – the flexibility of payment conditions. Here we mean two things:

- the proportion between the guaranteed (basic) and the flexible (legally, variable) parts in the monthly and annual home-take pay;
- the accuracy of payments themselves ("proliferation" of wage arrears, voluntary and forced unpaid downtimes and other forms of separation of employees from their paychecks).

The first three constructs should be analyzed with references to the CRANET data available for other post-communist countries. We have chosen among these countries two countries – Estonia and Bulgaria. The selection was based on several reasons. From one side, Estonia was the most "Westernized" part of the former Soviet Union, and put remarkable efforts to emulate the systems of HRM of "Nordic countries" with an especial reference to Finland even before the independence. So, comparison between Russia and Estonia may put more insights on how far may mutate "genuine" Soviet HRM practices. From the other side, Bulgaria was the most obedient independent country of the former Communist block, who tried to imitate the every trait of the "Big Brother." After the fall of the communist system Bulgaria was also lagging in implementing structural and institutional reforms. We expected that by comparison between Russia and Bulgaria we may surmount some myths on "uniqueness" of the Russian HRM system. In addition to the above reasons, thanks to the invaluable kindness of Prof. Elizabeth Vatchkova, we possessed the complete Bulgarian data from the CRANET round of 2008.

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The next sections of the paper present the results of our calculations and estimates of the created constructs.

2.1 Possibilities for collective bargaining

We may consider the possibilities for collective bargaining as an amalgamation of three measures. First, the most important measure is the very existence of organized labor (trade unions, labor councils etc.). Second, the weaker measure is the level at which the basic pay is determined (from national-wide to individual). Third, the weakest measure is the levels of performance indicators that affect variable pay (again we distinguish here individual, team/department and company-wide indicators). We presume here that team indicators of performance create better incentives for unification of employees' interests.

The data obtained from CRANET survey clearly indicates that Russian employees have extremely limited possibilities for collective bargaining. First, the share of companies with the very presence of unionized labor is merely 20%. The corresponding figure for Estonia is 35%, for Bulgaria – 70%. We have seen that Russia made the longest way from the Soviet practices of mandatory membership in trade unions, thus restricting the possibilities of collective bargaining.

The proportion of Russian companies where the basic pay is determined by national-wide or regional agreements is around 20% (the figure varies from 16% for managers to 25% for

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manual workers). The corresponding figure for Estonia is 11%, for Bulgaria is 34-42% for various categories of employees. Here Russian companies again moved far away from the Soviet practices of centrally planned economies.

The third measure within the construct "possibilities for collective bargaining" was the proportion of companies where bonuses are based on team performance. In Russia team-based measures are used in 40% of companies for managers, in 38% of companies for professionals, in 23% of companies for clerical workers, and in 47% of companies for manual workers. In Bulgaria the corresponding figures are: 43% -- for managers, 40% -- for professionals, 31% -- for clerical workers, and 32% -- for manual workers.

Assessing in general the first created construct we may conclude that the possibilities for collective bargaining in Russia are lower than in Estonia and especially Bulgaria. Two decades of post-communist development mostly extinguished the Soviet traditions of organized labor, that have not been replaced by new forms (independent trade unions, regional pay agreements etc.).

2.2 Flexibility of working arrangements

Employment system flexibility is one of the most important questions of CRANET research. This issue gained a special importance in Western European countries since the beginning of 1990s in connection with population ageing and conviction that inflexibility of employment system is a fundamental factor of retardation in innovativeness and competitive ability of Western Europe in comparison with the USA.

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Flexible elements of the employment system are divided in the CRANET methodology in four groups:

Irregular system of work

- Compressed working week (workers whose working week totals a standard number of hours compressed into a reduced number of shifts).
- Annual hours contract (agreement to work number of hours annually).
- Part-time work (hours of work defined as part-time by employer or legislation).
- Flexi-time (some working hours may be determined by employees, around a fixed “core” time).
- Job sharing (dividing up one job between two or more employees).
- Fixed-term contracts (workers employed for a fixed number of months or years).

Irregular system of working hours

- Weekend work (working Saturday and/or Sunday).
- Shift work (working one of a set of consecutive periods into which a 24 hour working day is divided).
- Overtime (extra time beyond employees’ normal time, added on to a day or shift).

Special contractual relations

- Temporary / casual (workers employed on a temporary basis for a number of hours, weeks or months).

“Domestication“ of work places

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- Homebased work (workers whose normal workplace is home but who do not have permanent electronic links to a fixed workplace).
- Teleworking (technology-based) (workers who can link electronically to a fixed workplace).

It is important to mention that phenomena presented in the CRANET study as "irregular practice" have taken deep roots in the Russian human resources management system since the Soviet times. Indeed, many industries and sectors have an established tradition of flexible employment:

- Shift work and week-end work were and are practiced in oil and gas fields, chemical plants, power plants, etc.).
- Compressed working week (usually 12-14 hours shift every second day) is a usual practice for many enterprises of retail trade and public services, and specially compressed working week (twenty-four hours shift every third day) is a usual practice of doctors and security officers on duty.
- Educational institutions widely apply annual hour contracts (academic load).
- Research institutions also actively use the system of "attendance" days and "general presence hours".

Thus, we put special attention to the "irregularities" of working and contractual conditions that are not inherited from the Soviet times, not justified by technology reasons but, by our observation, that in many cases worsen the position of employees:

- Overtimes (that are usually non-properly accounted and thus not paid);

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- Part-time and job sharing (that are usually keep an employee in the position of an "outsider" in the firm and impede the access to social benefits and other "perks" reserved for "core workers");
- Fixed-term contracts (the shorter the term of the contract, the lower the security of job);
- Temporary/casual employment (the euphemism for semi-legal work of migrants from the former Soviet Union, who are neither properly paid, nor accounted for obligatory social security and pension schemes).

Results of our survey confirmed that Russian and Estonian companies in great extent maintained the Soviet traditions of flexible usage of work time (weekend work, shift work, flexi-time), but also successfully mastered several a new technology-based form, namely teleworking (see Table 1). Almost all the surveyed Russian companies practice at least several lirregular" forms in organization of work time/ place, 60% of enterprises use from 3 up to 6 different forms simultaneously.

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Table 1. "Irregular" forms of organizing work and work time.

Schemes	Percentage of firms applying the scheme		
	Russia	**Bulgaria**	**Estonia**
"Technology-routed arrangements"			
Weekend work	59	52	67
Shift work	40	52	73
Annual hours contract	18	26	8
Home based	16	2	19
Teleworking	31	6	26
Compressed working week	34	2	9
Flexi-time	39	21	50
Arrangements that may worsen the position of employees			
Fixed term contracts	52	46	87
Overtime work	57	51	80
Part time work	59	27	69
Job sharing	21	33	80
Temporary/casual	45	35	66

Regarding the forms that may worsen the position of employees we may see that Russia is still far behind Estonia, practically in every form, but especially in the use of fixed-term contracts, overtime work and job sharing. We may expect that the European Union's

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membership of Estonia makes such forms as overtime work and temporary/casual employment more “civilized”, i.e. less harmful of employees. Nevertheless, the Estonian example suggests that Russian companies, in the virtual absence of trade unions have serious reserves of further expansion of irregular systems of work and special contractual relations.

2.3 Flexibility of payment conditions

We approach to the key element of our analysis of the Russian HRM system – the flexibility of payment conditions. As we have not CRANET data on that issue, we present solely Russian data. We remind that we distinguish two major elements of payment flexibility – the variability of home-take pay and benefits, and the tolerance to wage arrears.

2.3.1 Composition of home-take pay

For proper understanding of the data we should provide some insights into the legal framework of reward system in Russia. The system of reward management is legally based on two pillars – minimal wage and tariff system. Accordingly to Item 133 of the Russian Labor Code the minimal wage is set simultaneously in all the territory of the Russian Federation by a federal law. No take-home pay may be lower than the minimal wage. Since January 1st, 2009 the level of minimal wage was set at Ruble 4330 per month (around Euro 100). In Moscow (the most expensive city of the world in 2008), the minimal wage was set on May 1st, 2009 at Ruble 8500 per month (Euro 170).

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Scale of wages is set accordingly to the tariff system. The tariff system determines the complexity of particular works and the relative level of payment for particular jobs of various complexities. The Russian tariff system includes:

- tariff rates (fixed hourly rate for the work of a given complexity);
- tariff grid (allocation of all jobs to particular tariff rates);
- tariff coefficients (difference between the particular tariff rate and the level of the lowest rate (for the most simple work).

Officially set tariff rates are very low. The minimal tariff rates was designed in order to reach by 168 hours of work the level of minimal wage (i.e. the minimal hourly pay is Euro 0,60), the highest tariff rates were not more than 5 times higher than the minimal ones.

As the officially set tariff system and official rates hardly secure even a hungry subsistence, most reward systems for workers and other employees is based on two parts of salary. The basic salary, sometimes set accordingly to the official tariff system (in privatized and state-owned companies tariff system is used more often) may occupy between 10 and 60% of take-home pay (if the tariff system is used for managers, the basic salary occupies between 5 and 20% of take-home pay). The second part is called "bonus", but is usually considered as automatically given in order to reach the "normal" level of take-home pay.

2.3.2 Social benefits

Besides salary system, recently Russian companies re-built the system of social benefits (see Table 2).

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Table 2. Forms of mandatory and optional social benefits (percentages of companies that reported the use of particular measures)

Social benefits	Russia	Bulgaria
Maternity leave[2]	78	51
Private health care schemes	74	19
Parental leave[2]	67	17
Education/training break[2]	63	44
Career break schemes[3]	41	4
Paternity leave[2]	31	14
Childcare allowances	16	20
Pension schemes	15	21
Workplace child care	2	1

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For proper understanding of the data presented in Table 2, we should note that maternity (paternity) leaves, paid leaves for the care of sick children, and educational holidays are legally recognized in Russia as absolutely obligatory for any employer. Nevertheless, between the quarter and the third of the surveyed Russian companies freely reported that they do not use such forms. Career break schemes (the possibility to keep the workplace for a woman up to three years after delivering the baby) is also mandatory in Russia. However, only 40% of Russian companies reported the use of such schemes.

Unlike parental leave, the additional health insurance which enables employees use better clinics and hospitals is truly “benevolent” from the employer’s side. Insurance contracts are renewed every year at the complete discretion of an employer (we should remind here that in the vast majority of companies there are no collective agreements and thus no two-side agreements on social benefits). Here Russian companies are strongly ahead of Bulgarian ones (we had no Estonian data on that topic), that may also reflect the quality of the common-access health services. The use of other optional social benefits (childcare allowances, pension schemes, workplace childcare) is roughly similar in both countries.

We should also stress that in many cases the levels of social benefits also varies as they are usually based on seniority principles – the greater the overall time an employee has spent in the company, the greater the "pie." In practice most full-time employees are entitled to all forms of benefits, only the share of their direct contribution varies. For example, the sophomore must pay 50-80% of the total value of the additional health insurance, after 5 years of service such option is given free of charge etc.

2.3.3 Wage arrears

Besides the variability of take-home pay and social benefits, we should remind about a very specific Russian trait – the high tolerance to wage arrears. They were extremely "popular" in 1990s (see Clarke, 1998; Earle and Sabirianova, 2002). However, the habits are still deep-rooted. Nowadays wages arrears are often camouflaged as "voluntary holidays without pay" in order to escape the state labor statistics and to make company balance sheets more decent (non-paid wages are accounted as credits by Russian accounting rules). The "voluntary holidays without pay" were initially designed to help Russian employees to cope with irregularities of their private lives (illness or death of relatives, marriages and

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honeymoons etc.). Legally they are given at the complete discretion of the employer after the written demand of an employee. There are no legal limits of the length of such holidays, they may last from one working day up to several month. In the last case employees may still use the company's social benefits, but cannot apply to unemployment benefits.

2.4 Degree of formalization of performance appraisal system

Apart from the employment system flexibility, one of the most important elements of national human resources management system is the degree of formalization of performance appraisal system. In Table 3 we present the data on the use of formal (specially designed and approved) appraisal systems for various categories of employees.

Table 3. Use of appraisal systems for various employee categories

Categories	**Country**		
	Russia	**Bulgaria**	**Estonia**
Management positions	38	27	68
Professional jobs	43	37	70
Clerical jobs	21	33	69
Manual jobs	40	33	69

We may see that Russian companies together with Bulgarian ones are trying to avoid as much as possible the formal appraisal system. Other countries where less than 45% of

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organizations use appraisal systems are Iceland, Spain, Finland, Austria, Norway and Sweden).

We also should note the usually poor quality of Russian appraisal systems where they exist. For "traditional" functions, like production and engineering, the situation is better is companies largely rely on the Soviet experience. For relatively new functions (sales, marketing) the situation is worse. There is neither established tradition of performance measures, nor good "cookbooks" for appraisal of such specialties. As a result, the simplest observable parameters that may be beyond the control of particular employees become the criteria of their success/failure. For example, a Head of sales, who (usually) has no direct authority on advertising budget, no power to make alterations in the price list and no ability to prioritize deliveries is assessed by the dynamics of company sales.

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3. The likely mutations of human resource management practices during the recession

All the results of CRANET survey, presented in Section 2, pertain to the "normal", i.e. pre-recession routines of Russian human resource management. It is easy to predict that amalgamation of flexible working and especially paying conditions with low formalization of performance assessment creates endless possibilities to pursue "cost leadership" strategies by suppression of labor costs and by elimination of jobs.

Indeed, the prevalence of "bonuses" in home-take pay under condition of virtual absence of trade unions made the suppression of labor costs very easy. Even in the cases of the existence of nation-wide agreements they determine the basic pay – a small fraction of the total labor costs. Again, without trade unions and collective agreements there are no difficulties to save on social benefits – by abolishment of "voluntary" benefits, or by the increasing of employees' contributions into the benefit schemes. In addition, as the reward systems are composed from small salaries and solid "bonuses," the proven weapon to avoid any open individual discontent is to deprive an employee from the monthly bonus. It also makes easy to get rid of any employee – to withdraw "the bonus" for the consecutive periods and he/she will ask for "voluntary leave" (that is further punished by inability to apply for unemployment benefits). It is also easy to make arbitrary lay-offs as in the absence of any formal performance appraisal system an employee cannot appeal to the documented evidence of his/her past achievements.

So far, most Russian companies have implemented the first step in saving costs – "optimization" of workplace. The number of unemployed by ILO's definition rose from May 2008 to May 2009 by 58% and reached 6.5 million persons, while the number of officially registered unemployed persons rose by the same 58% and reached 2.2 million (GKS, 2009). The difference in numbers (4.3 million) signifies the sharpness of the problem – the great pool of people who do not receive any income and who are actively looking for employment without any assistance from the job centers.

Accordingly to the official statistics, Russian companies were more "conscious" on saving on wages. The average nominal wage was in May 2009 Ruble 18190, that is 4.3 times greater that the level of minimal salary and only 5% lower (taking into account the inflation rate) than in May 2008. However, the data on retail sales (the volume of retail trade, adjusted for consumer inflation, was in January-May 2009 only 84% from the level of January-May 2008) somehow reveals the real situation. Although the wage arrears in 2009 are modest (as they are intensively persecuted by labor inspections), "voluntary holidays

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without pay" became pandemic. By the World Bank estimates, in May 2009 around 6% of the total workforce in Russian large and medium-size companies "enjoyed" holidays without pay (see Reznikova, 2009). We expect that the second half of 2009 will bring more constriction in wages and benefits.

However, besides direct labor cost-saving efforts (cuts in pay and benefits, elimination of jobs) Russian companies have serious reserves for intensification of labor. We mean here the expansion of "irregular" working arrangements, in particular (unpaid) overtimes, part-time work and job sharing. The use of part-time work and job sharing is especially appealing, as this enables the employer to apply higher standards of intensity of work while saving on social benefits applicable only for full-time employees.

If there are any chances to embark under such conditions on "differentiation" strategies? In order to rapidly expand competences and to improve innovative capacities Russian companies do need much ingenuity – they simply have to dare to establish the "reverse" practices of human resource management:

- to expand the basic part of take-home pay up to 60-70%;
- to keep the overall level of take-home pay in tune with or ahead of real inflation rates;
- to establish the practices of collective agreements even without the presence of a trade union (the Russian Labor code allows to do so);
- to maintain (to add) the social benefits, independent from seniority principles and guaranteed for the total length of employment;
- to avoid as possible job sharing, part-time employment and casual employment;
- to design and to implement consistent schemes of performance appraisal, based on well-documented indicators that are under visible influence of an assessed employee.

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In many cases foreign companies while entered Russia in 1990s tried to use some of the outlined practices (see Fey et al., 1999; Fey, Bjorkman, 2001), but later they emulated in the great extent the "genuine" Russian HRM system.

The further rounds of CRANET survey should reveal which share of Russian companies used the recession as the pretext to give up the national standards of human resource management practices, which are well suited to survive the recession in the very low end of the marketplace.

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Notes

1. This work was implemented with support of the research grant № 08-04-0010 of the State University – Higher School of Economics.
2. These forms are mandatory to all employers accordingly to Russian laws.
3. Career break schemes are mandatory in Russia as the voluntary long maternity leave (up to 3 years).

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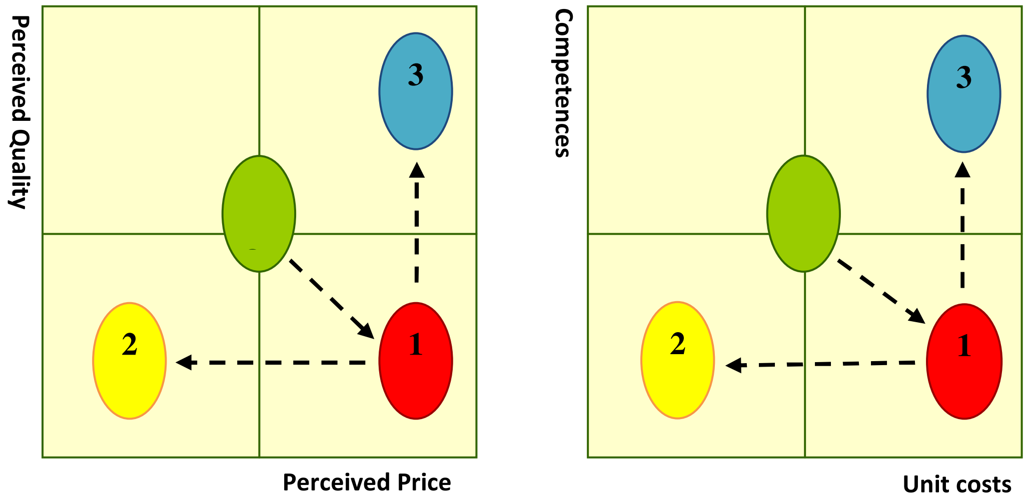

Figure 1.

Note:

1 – the initial deterioration of company competitiveness

2 – strategic trajectory of "cost leadership"

3 – strategic trajectory of "differentiation"

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