



Mutation of HRM practices in Russia – An application of CRANET methodology

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Abstract

The paper describes the challenges facing established practices and patterns of human resource management during the economic recession. The paper is based on the results of the CRANET survey, administered in Russia in the third quarter of 2008, on the 2008 CRANET data available for Bulgaria and on survey of companies' executives, implemented in the first half of 2010. We found that Russian HRM practices that are based on low formalization of performance assessment, great versatility of payment arrangements, and high flexibility of working and contractual arrangements enabled companies to adapt to the recession conditions without massive lay-offs.

Keywords: human resource management, employment conditions, economic recession, surveys

Introduction

Russia was gravely affected by the outcomes of the world financial crisis that began in 2008. The deep decline in the world prices for major Russian exports (oil, gas, metals and fertilizers), coupled with massive capital outflows from Russia (accounted, by some estimates, up to 10% of the GDP) made a sharp drop off in many industries inevitable. In 2009, the volume of industrial production contracted by 10.8%.

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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 two sample surveys of Russian executives, administered respectively in the first half of 2009 (see Gurkov, 2009) and in the first half of 2010. 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 on the eve of the crisis. We also use relevant outcomes of our previous studies (see Gurkov, 2002; Gurkov and Zelenova, 2009) and other statistical and analytical sources on Russian HRM practices.

The paper is organized as follows. In the first section we retrace the dynamics of the Russia labor market during the recession and present some explanations of the “statistical artifacts.” In the second section we deepen our analysis by identifying the important characteristics of the prevailing system of HRM in Russia. The third section contains our conjecture about the future alterations of the established practices due to the impact of the economic recession.

1. The dynamics of the Russian labor market in 2008-2009

The dynamics of the Russian labor market under conditions of severe economic recession was a pleasant surprise to the government, and, in some respect, to employees too. Taking into account the deep fall in industrial output, many analysts predicted that the level of unemployment, by the ILO definition, will surpass the historic high from the spring of 1999 at 14.6% and would reach the level of 15%. In reality, the unemployment level jumped from September 2008 to February 2009 from 6.2 to 9.5 % of the economically

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2 active population, and stood at this level, with some seasonal fluctuation, during the rest of
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4 2009. To explain that situation, we first should remember that during the 2008-2010 period
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6 the employment level in the state sector (all levels of education, health services, and
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8 security forces, federal and local governmental institutions) remained stable. The largest
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10 Russian companies, proclaimed in October 2008 as ‘strategic enterprises,” tried to escape
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12 massive lay-offs as much as possible – as this was one of the major conditions for
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14 receiving of state aid. However, in the competitive sectors the elasticity of employment
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16 was not extremely high. This was revealed through the analysis of the data assembled
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21 through our surveys of corporate executives.

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26 In the December 2008 to February 2009 period we administered a survey of
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28 executives of 113 Russian companies. The survey was devoted to the assessment of the
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30 current situation and the inclination towards specific anti-crisis measures (see Gurkov,
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32 2009). In the first half of 2010 we repeated the same survey with other 133 corporate
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34 executives, mostly executives of large and medium-size companies from both industrial
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36 and services sectors. The respondents were asked

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39 • to assess the changes in general economic conditions and competition that occurred
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41 since the middle of 2008,
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44 • to indicate the magnitude of changes in sales, backlog, employment level and unit
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46 costs occurred since the middle of 2008.

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52 The surveyed executives indicated that the economic situation in the first half of 2010
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54 was still significantly worse than in the middle of 2008 (significance of difference by t-test
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56 statistics is 0.000) and the market competition had become stronger (again significance of
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2 difference by t-test statistics is 0.000). Surveyed companies indicated that the level of
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4 output contacted by 10% from late 2008 and more than 40% from the pre-recession period.
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6 A significant reduction of personnel (more than 10% of the total workforce) was
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8 experienced by 34% of the surveyed companies. The correlation between the changes in
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10 output and the change in employment was 0.46 (see Table 1). In is interesting to note, that
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12 the changes in employment have no clear connections with the dynamics of company's
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14 costs.
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Table 1 around here

33 Instead of lay-offs, the companies used the mechanism of *partial employment* (part-time
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35 working days or weeks and unpaid holidays). By some estimates, in 2009 more than 20%
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37 of the employees (i.e. almost 40% of employees in the competitive sectors) were affected
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39 by such measures, the consequent loss of working time was the equivalent of 4-5% of the
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41 total employment (Kapelushnikov, 2010a). The most striking fact was the forms of partial
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43 employment – 25% of affected employees worked shortened days or weeks by the
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45 “initiative of employers,” another 25% affected employees worked shortened weeks by
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47 “mutual agreement,” 10% of affected employees were in holidays by the “initiative of
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49 employers” and 40% of the affected employees asked, and successfully obtained,
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51 “voluntary unpaid holidays.”
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2 Another “statistical artifact” was the proportion of “voluntary redundancies.” If we
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4 look into the structure of dismissals in 2009, merely 7% of lay-offs were initiated by
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6 employers, additional 9% were the termination of employment by the mutual agreement
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8 between the employee and the employer, and 61% of the total dismissals “were initiated by
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10 the employees,” with an additional 23% of the total dismissals were accounted as
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12 dismissals “for other causes”.
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19 As the recession in Russia transformed into stagnation, in the first five months of
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21 2010, except for February 2010, the number of dismissed employees in the national
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23 economy still surpassed the number of hired employees, although in smaller extend. For
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25 example, in May 2009 the difference between dismissed and accepted employees was 150
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27 thousands persons, in May 2010 the difference between dismissed and accepted employees
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29 was 40 thousands persons (GKS, 2010). However, again the proportion of the “voluntary
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31 leaves” is around 65% of the all dismissals, and the absolute number of “voluntary leaves”
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33 surpasses the total number of vacancies in the national economy (Ibid).
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40 To understand why Russian employees voluntary leave their jobs with an uncertain outlook
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42 for further employment or take “voluntary unpaid holidays,” we should look deeper into
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44 the general and specific traits of Russian human resource management system.
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2. General and specific traits of Russian human resources management system – an application of CRANET methodology

2.1 Methodology and data

Over the past decade there were intensive efforts to illustrate the Russian human resource management system (see Fey et al., 1999; Fey and Bjorkman, 2001; Earle and Sabirianova, 2002; Kivela, 2006; Researchandmarkets, 2007; Gurkov and Zelenova, 2009) either alone or in comparison to HRM systems in other countries. However, until the present study there were no attempts to extend to Russia the established networks of international comparative studies of HRM systems.

As the CRANET study has been carefully described in a number of other publications we do not need to describe it here (see Brewster et al., 2000; Brewster et al., 2004; CRANET, 2006). The great advantage of CRANET methodology is the possibility to design various measures and constructs based on an extremely broad battery of variables depicting HRM practices.

The CRANET questionnaire was initially designed to reveal the subtle differences in HRM practices across a limited number of Western European countries and it was further expanded to 40 countries on four continents with large differences in socio-economic development. Thus, the CRANET survey in many ways was designed to trace the fundamental characteristics of national HRM systems. However, still many CRANET questions are directed towards the minor points of routine HRM administration in “peaceful” circumstances.

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2 Our first task was to select the questions that give a picture of the fundamental
3 issues of HRM during a deep recession period. Thus, the questions on distribution of
4 power in HRM issues between HRM officers and line managers, on E-HRM facilities, on
5 methods of employee development and communication, i.e. the questions that occupy the
6 major place in CRANET questionnaire, became unimportant for our study.
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16 After careful investigation of the CRANET questionnaire we designed the
17 following constructs for our research:
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- 20 • The possibilities for collective bargaining (degree of unionization and forms of
21 collective/individual remuneration).
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- 24 • Flexibility of working arrangements.
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- 27 • Formalization of performance assessment.
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30 In addition to the CRANET questionnaire, we added a supplementary construct – the
31 flexibility of payment conditions. Here we mean two things:
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- 34 • the proportion between the guaranteed (basic) and the flexible (legally, variable)
35 parts in the monthly and annual home-take pay;
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- 38 • the regularity of salary payments themselves (“proliferation” of wage arrears,
39 voluntary and forced unpaid furloughs and other forms of reduction of an employees’
40 take home pay).
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49 The first three constructs were analyzed with references to the CRANET data
50 available for another post-communist country – Bulgaria. The selection was based on two
51 reasons. First, we possessed the complete Bulgarian data from the 2008 CRANET study
52 (Vatchkova, 2009). The data for other countries from that round is still under preparation
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2 (see CRANET, forthcoming). Secondly, Bulgaria was the most obedient independent
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4 country of the former Communist block, who tried to imitate the every trait of the “Big
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6 Brother” – the Soviet Union. After the fall of the communist system Bulgaria also lagged
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8 in implementation of structural and institutional reforms, especially in 1990s. We expected
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10 that by making a comparison between Russia and Bulgaria we might be able to surmount
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12 some of the myths concerning the “uniqueness” of the Russian HRM system.
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19 In first month of the recession, October-December 2008, we managed to collect 56
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21 questionnaires from the heads of human resource departments. Although the sample was
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23 small, it corresponds to the size of other studies of Russian HRM during the crisis. For
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25 example, the results of KPMG benchmarking survey of 2009 on human resource
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27 management systems at Russian companies were based on a survey of 41 companies
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29 (KPMG, 2010); the study of AVANTA personnel on HRM policies administered in
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31 October 2008-March 2009 was based on a survey of 80 companies (AVANTA, 2009).
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38 Albeit the modest size of the sample, we managed to include into the survey the
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40 companies of different sizes and lines of business (see Table 2). Only four surveyed
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42 companies were subsidiaries of foreign companies.
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56 The next part of the section is devoted to the analysis of the created constructs.
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2.2 Possibilities for collective bargaining

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

The data obtained from the 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 Bulgaria is 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 manual workers). The corresponding figure for Bulgaria is 34 and 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

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2 team-based measures are used in 40% of companies for managers, in 38% of companies
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4 for professionals, in 23% of companies for clerical workers, and in 47% of companies for
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6 manual workers. In Bulgaria the corresponding figures are: 43% for managers, 40% for
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8 professionals, 31% for clerical workers, and 32% for manual workers. Here we see no
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10 significant differences.
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16 Assessing the first created construct we conclude that in general the possibilities for
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18 collective bargaining in Russia are lower than in Bulgaria. Two decades of post-communist
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20 development have mostly extinguished the Soviet traditions of organized labor and have
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22 not been replaced by new forms like independent trade unions, regional pay agreements,
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24 etc.
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31 ***2.3 Flexibility of working arrangements***

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35 Employment system flexibility is one of the most important questions of CRANET
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37 research. This issue has gained a special importance in Western European countries since
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39 the beginning of 1990s in connection with population ageing and the conviction that
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41 inflexibility of the employment system is a fundamental factor of impeding the
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43 development of innovativeness and competitive ability of Western European firms in
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45 comparison with the US.
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51 Flexible elements of the employment system are divided in the CRANET
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53 methodology in four groups:
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56 ***Irregular system of work***

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- 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 a 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

- Home-based 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).

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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 such as:

- 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 have given special attention to the “irregularities” of working and contractual conditions that are not inherited from the Soviet times and not justified by technology reasons but, by our observation, that in many cases worsen the position of employees:

- Overtime (that are usually non-properly accounted and thus not paid);
- Part-time and job sharing (that 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);

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- 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).

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Results of our survey confirmed that Russian companies have not only maintained the Soviet traditions of flexible usage of work time like weekend work, shift work, and flexi-time, but also successfully mastered a new technology-based form, namely tele-working (see Table 3). Almost all the surveyed Russian companies practice at least several “irregular” forms in organization of work time and place, 60% of enterprises use from three up to six different forms simultaneously.

Table 3 around here

Regarding the forms that may worsen the position of employees we should specially stress the wide use of part-time work. A key point is that part-time workers are usually excluded from social benefits, applicable for full-time workers.

2.4 Flexibility of payment conditions

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

2.4.1 Composition of home-take pay

For a proper understanding of the data we should provide some insights into the legal framework of the compensation system in Russia. The compensation system is legally based on two pillars – a minimum wage and wage rate system. Accordingly to Item 133 of the Russian Labor Code the minimum 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 minimum wage. Since January 1st, 2009 the level of minimum wage was set at Ruble 4,330 per month approximately 100 Euros. Nevertheless, in April 2009 there were almost 950,000 employees with contractually set wages below the minimum wage and additional two million employees those wages were higher than the minimum wage but were still below 5000 Rubles. The proportion of such extremely low paid employees was especially significant in agriculture (25.5% of the total employment in that sector), social services (21%), educational services (20%), health services (13%), textiles (12%) (GKS, 2009).

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

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

Officially set wage rates are very low. The minimum wage rates was designed in order to reach by 168 hours of work the level of minimum wage (i.e. the minimum hourly pay is

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2 Euro 0,60), the highest wage rates were not more than 5 times higher than the minimum
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4 ones. Meanwhile, the wage difference between 10% of employees with the lowest wages
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6 and 10% of employees with the highest wages ranges between 960% in agriculture to
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8 1940% in financial services (GKS, 2009).
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12 As the officially set wage rate system and official rates barely secure even a
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14 minimal subsistence level, most compensation systems for workers and other employees is
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16 based on two parts of salary. The basic salary, sometimes set accordingly to the official
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18 wage rate system (in privatized and state-owned companies tariff system is used more
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20 often) may occupy between 10 and 60% of take-home pay (if the wage rate system is used
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22 for managers, the basic salary occupies between 5 and 20% of take-home pay). The second
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24 part is called “bonus”, but is usually considered as automatically given in order to reach the
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26 “normal” level of take-home pay. Russian trade union activists understand well the
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28 negative impact of the minuscule share of basic salary in take-home pay. Pre-recession
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30 national-wide agreements tried to determine the share of the basic salary in take-home pay.
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32 For example the “The Industrial Agreement for Organizations in Oil and Gas for 2008-
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34 2010” stipulated that share of guaranteed wage rate based salary in take-home pay should
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36 not be lower than 40% (Oil Trade Union, 2008); the similar national-wide agreement
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38 applicable for factories involved in machine-building stipulated that the wage rate part of
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40 the take-home pay should be not lower than 70% and the total personnel costs should
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42 occupy not less than 30% of the total production costs (Machine-Building Trade Union,
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44 2008). However, they were pre-recession documents that were applicable to merely 20-
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46 25% of the companies in the corresponding industry.
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56 **2.3.2 Social benefits**

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2 Besides salary system Russian companies have recently restructured the system of social
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4 benefits (see Table 4).
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18 For a proper understanding of the data presented in Table 4, we should note that maternity
19 (paternity) leaves, paid leaves for the care of sick children, and education holidays are
20 legally recognized in Russia as absolutely obligatory for any employer. Nevertheless,
21 between the quarter and the third of the surveyed Russian companies freely reported that
22 they do not use such forms of social benefits. Leave of absence schemes, such as the
23 possibility to keep the workplace for a woman up to three years after delivering the baby, is
24 also mandatory in Russia. However, only 40% of Russian companies reported the use of
25 such schemes.
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41 Unlike parental leave additional health insurance benefits, which enable employees
42 to use better (non-state) clinics and hospitals are provided at the discretion of employers.
43 Russian companies more often use additional health insurance schemes than Bulgarian
44 ones, which may also reflect the country level quality of the public access health services.
45 The use of other optional social benefits (childcare allowances, pension schemes,
46 workplace childcare) is roughly similar in both countries. We should also stress that in
47 many cases the levels of social benefits also varies as they are usually based on seniority
48 principles thus the greater an employee's seniority the greater the level of benefits. In
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2 practice most full-time employees are entitled to all forms of benefits, only the share of
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4 their direct contribution for the benefits varies. For example, the second year employee
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6 must pay 50-80% of the total value of additional health insurance benefit while after five
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8 years of service such an optional benefit is given free of charge.
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11 12 13 14 15 16 **2.3.3 Wage arrears** 17

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19 Besides the variability of take-home pay and employee benefit package, we should bring to
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21 the reader's attention a very specific Russian trait – the high tolerance by employees and
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23 the government of wage arrears. These measures were widely used in 1990s (see Clarke,
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25 1998; Earle and Sabirianova, 2002). And these habits are still deeply rooted in employers'
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27 practice. Today wages arrears are often camouflaged as “voluntary holidays without pay”
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29 in order to insure that company balance sheets are not negatively affect by non-payment of
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31 wages, since non-paid wages are accounted as credits by Russian accounting rules. The
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33 “voluntary holidays without pay” policies were initially designed to help Russian
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35 employees to cope with irregularities of their private lives like illness or death of relatives,
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37 marriages and honeymoons, etc. Legally these leaves are given at the complete discretion
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39 of the employer after the written demand of an employee. There are no legal limits to the
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41 length of such holidays as they may last from one working day up to several months. In the
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43 last case employees may still use the company's social benefits, but an employee cannot
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45 apply to receive unemployment benefits.
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52 53 54 **2.4 Degree of formalization of performance appraisal system** 55 56 57 58 59 60

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2 Apart from the level of flexibility of the employment system, one of the most important
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4 elements of national human resources management system is the degree of formalization
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6 of performance appraisal system. In Table 5 we present the data on the use of formal
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8 (specially designed and approved) appraisal systems for various categories of employees.
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23 We see that Russian companies together with Bulgarian ones try to avoid the formal
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25 appraisal system. Other countries where less than 45% of organizations use formal
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27 appraisal systems are Iceland, Spain, Finland, Austria, Norway and Sweden. We also
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29 should note that were such appraisal systems are in place in Russian firms they are of poor
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31 quality. For “traditional” functions, like production and engineering, the situation is better
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33 when companies largely rely on the Soviet experience. For relatively new functions (sales,
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35 marketing) the situation is worse. There is neither an established tradition of performance
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37 measures, nor good models for the appraisal of such specialties. As a result the simplest
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39 observable parameters that may be beyond the control of a particular employee become the
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41 criteria of their success or failure. For example a director of sales, who (usually) has no
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43 direct authority over the advertising budget, no power to make alterations in the prices
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45 charged, and no ability to prioritize deliveries is assessed by the variation of the company
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3. The mutations of human resource management practices during the recession

Now we may easily decipher the outlined “oddities” registered by the state labor statistics in 2009 – the massive use of voluntary holidays without pay and voluntary leaves in the midst of the recession. Indeed, the prevalence of “bonuses” in home-take pay makes easy to get rid of any employee – just let withdraw “the bonus” over a couple of months and an employee will ask for “voluntary leave.” It is also easy to make arbitrary lay-offs as in the absence of any formal performance appraisal system an employee cannot appeal a separation from the firm based on the documented evidence of his/her past achievements. Also, under conditions of virtual absence of trade unions it is easy to propose to employees to apply for “voluntary holidays without pay” thus saving even on small mandatory payments for employees during the downtime (two third of the wage rate plus social security taxes).

Again, without trade unions and collective agreements there are no difficulties in saving on social benefits by abolishment of “voluntary” benefits, or by increasing employees’ contributions into the benefit schemes. In addition, as the compensation systems are based on small salaries and disproportionately large “bonuses,” the proven weapon to avoid any open individual discontent is to deprive an employee their monthly bonus.

So far, most Russian companies have indeed mastered the first step in “optimization” of the workplace with no apparent saving on costs (see Table 1). Russian experts on labor markets mostly worry about the second step – the perspective of the raise of illegal (non-registered) jobs in the economy – the shares of these “illegal” employment places increased from 20 to 28% since 2000 to 2008 and added one more percentage point

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2 in 2009 (see Kapelushnikov, 2010b). However, we do not consider this as the major
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4 danger. First, the costs of the use of illegal (non-registered) jobs are rising as the
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6 governmental control becomes tighter. In addition, while the sharp increase of the share of
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8 informal employment occurred in most countries in crisis times (for example, in Indonesia
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10 in 1997, in Argentina in 2001 (see ILO, 2009, p. 11), in Russia that trend was stable even
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12 during the “fat times” of rapid economic growth of 2000-2007. Third, in many aspects,
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14 except for the provision of the necessary length of employment for receiving a pension that
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16 anyway will ensure hungry subsistence, jobs in the Russian informal sector is much better
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18 than poorly paid jobs in the government sectors such as social services, education, and
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20 health care.
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27 Russian companies have a significant ability to increase the amount of work
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29 conducted for the same payment without using illegal workers. What we mean here is
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31 opportunity to expand “irregular” working arrangements, in particular unpaid overtime,
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33 part-time work and job sharing. The recent ILO’s statistics demonstrates the spectacular
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35 raise of part-time employment in many countries. For example, in Estonia in one year, from
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37 the second quarter of 2008 to the second quarter of 2009, the share of part-time
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39 employment rose almost two-fold – from 7% to 12% of the total employment (ILO, 2009,
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41 p. 5). Instead of *job creation* by additional part-time workplaces, observed for example, in
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43 Canada where additional part-time jobs have the similar status as full-time jobs, in Russia
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45 the creation of part-time jobs mostly means *job destruction* as this not only enables the
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47 employer to apply higher standards of the intensity of work, but also to save on social
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49 benefits restricted only for full-time employees. Thus, we may expect to observe in Russia
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51 in 2010-2011 the greater use of job sharing, moving to at least to the level of Bulgaria,
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53 when a single workplace is split between two or more employees.
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4. Conclusions

We have presented the recent dynamics of the Russian labor market and outlined distinctive features of the Russian human resource system – low level of unionization, low degree of formalization of performance assessment, and the negligible share of guaranteed payment in take-home pay. Although a low degree of formalization of performance assessment in Russia is similar to that in Bulgaria, the lower level of unionization and, presumably, smaller share of guaranteed payment in home-take pay explain such Russian statistical “oddities” as mass “voluntary holidays without pay” and “voluntary redundancies” during the sharp deterioration of the conditions in the labor market. We also may forecast for the near future the following:

- the increase of poorly structured workplaces with no formal performance assessment and bigger difference between the guaranteed salary and take-home pay offered at complete discretion of an employer;
- the conservation of the large share of extremely low paid jobs in the government sector in social services, education, health care;
- a further erosion of jobs through job sharing and even greater use of artificially constructed part-time workplaces.

If there are any chances to counterbalance these trends it is through the adoption by Russian firms of alternative systems of human resource management. The KPMG report on human resource management systems in large Russia companies (at least those that agreed to participate in the survey) depicts a bit different picture:

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- almost two-thirds of the companies participating in the research were forced to cut headcount to optimize expenses in 2009. At the same time, however, 42% of these companies managed to outplace the dismissed employees.
- more than 70% of the surveyed companies had formal performance assessment and promotion criteria;
- a third of the companies had trade unions;
- 85% of the companies have been planning a modest increase in salaries for the year ahead (2010) (see KPMG, 2010).

The difference in this report and our findings is largely due to the greater share of subsidiaries of multi-national companies (MNC) in KPMG survey. Indeed, when MNCs first appeared in Russia as trade representatives or green-field production facilities, they tried:

- to make the basic part of take-home pay up to 60-70% of the total wage;
- 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 (or to add to) the social benefits, independent from seniority principles and guaranteed for the total length of employment;
- to avoid as much 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 the direct influence of an assessed employee (see Fey et al., 1999; Fey, Bjorkman, 2001).

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However, as MNCs had largely moved away from green-field investment into expansion of their market share through acquisition of Russian companies², they were forced to accept in large extent the existing HRM practices in the acquired companies, with an exception of performance appraisal – well-structured systems of performance appraisal for all categories of employees are installed quickly by MNCs in all newly acquired Russian subsidiaries. The economic crisis made the Russian government more receptive to participation of foreign MNC in key economic sectors. For example, in June 2010 there was a government proposal for the exchange of the state's majority stake in the leading Russian car manufacturing "AvtoVAZ" for a minority stake in Renault. Irrespective to the future of that particular offer, the even greater dominance of foreign MNCs in Russian manufacturing, banking and finance, FMCG and the pharmaceuticals sectors seems inevitable. Future CRANET surveys should reveal which share of Russian-based companies used the recession as the pretext to move beyond the prevalent patterns of the national system of human resource management practices.

Notes

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2. The most apparent cases of the purchase of the market share by acquisition of local companies may be observed in the food-processing industries – Coca-Cola,

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2 PepsiCo, Unilever, Heinz, Danon – all these MNC built their dominance in
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4 particular markets by active acquisitions of local market leaders.
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Table 1. Correlations between the dynamics of sales and orders and the dynamics of employment

	Dynamics of sales	Number of personnel	Dynamics of orders	Costs for production
Dynamics of sales	1	,459**	,915**	-,066
Number of personnel	,459**	1	,419**	,083
Dynamics of orders	,915**	,419**	1	-,083
Costs of production	-,066	,083	-,083	1

** . Correlation is significant at the 0.01 level (2-tailed).

Note: the scale used in all the questions

1= reduction by more than 30%

2= reduction between 10 and 30%

3 = minimal changes (+/- 10%)

4 = increase between 10 and 30%

5 = increase by more than 30%

Table 2. Distribution of the surveyed companies by the number of employees and the major type of activities

Industry	Number of companies	Average number of personnel in companies of the industry
Energy and water	2	16000
Chemical products: extraction and processing of non-energy minerals	1	180
Metal manufacturing; mechanical, electrical and instrument engineering	3	28000
Other manufacturing	5	4600
Retail and distribution; hotels; catering; repairs	6	240
Transport and communication	6	360
Banking; finance; insurance; business services	7	2350
Personal, domestic, recreational services	2	108
Health services	4	558
Other services	4	27
Education	1	15
Social services	1	150
Other	14	270
Total	56	n.a.

Table 3. "Irregular" forms of organizing work and work time

Schemes	Percentage of firms applying the scheme	
	Russia	Bulgaria
<i>Technology-routed arrangements</i>		
Weekend work	59	52
Shift work	40	52
Annual hours contract	18	26
Home based	16	2
Teleworking	31	6
Compressed working week	34	2
Flexi-time	39	21
<i>Arrangements that may worsen the position of employees</i>		
Fixed term contracts	52	46
Overtime work	57	51
Part time work	59	27
Job sharing	21	33
Temporary/casual employment	45	35

Table 4. Forms of mandatory and optional social benefits (percentages of companies that reported the use of particular measures)

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

Notes:

- 1 – These forms are mandatory to all employers accordingly to Russian laws
- 2 - The voluntary maternity leave may take up to 3 years. All this period a woman has the right to return to her last workplace at any time.

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Table 5. Use of appraisal systems for various employee categories

Categories	Country	
	Russia	Bulgaria
Management positions	38	27
Professional jobs	43	37
Clerical jobs	21	33
Manual jobs	40	33

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