

Recruitment at the Russian Enterprises

Valery Yakubovich & Irina Kozina

While contemplating recruitment strategies, a typical Russian firm sees its pool of potential job candidates organized into three concentric circles. The inner circle is the internal labor market (ILM) comprised of the firm's current workers who are always the first candidates for any vacancy. The outer ring is the external labor market (ELM) which includes workers unaffiliated with the firm either directly or through social ties. Finally, the area between is the extended internal labor market (EILM) usually defined as social networks of the firm's current workers (Manwaring 1984).

Although the triad ILM – EILM – ELM is a conventional way to think about the structure of the labor market (Doeringer and Piore 1971, Manwaring 1984), its application to the Russian case eliminates a few interesting institutional features with implications for recruitment methods. First, former workers often maintain direct ties to the firm and return there after a stint of employment at other places (Clarke 1999, Earle and Sabirianova 2002, Yakubovich 2006). Therefore, they should be treated as an integral part of the EILM (Yakubovich 2006). Second, while most modern firms strongly prefer to hire from the internal labor market vis-à-vis the external one (Doeringer and Piore 1971), Russian firms go further by clearly expressing a preference for the EILM vis-à-vis the ELM. In other words, they turn the triad ILM – EILM – ELM into a surprisingly robust hierarchy which survived through the economic turmoil of the 1990s and the recovery of the early 2000s. Each component of the triad is shaped and maintained by a distinctive mix of labor market institutions and recruitment practices inherited from the command economy of state socialism, adopted from Western management toolboxes, and developed “in-house” in response to idiosyncratic circumstances of the post-socialist economic, political, and social environments. These institutions and practices gradually evolve through actions and inactions of key constituencies such as the state, firms' owners and managers, HR professionals, trade-unions, and workers themselves. The change is slow and uneven, and the outcome of the process is far from clear. Nevertheless, the major tension is evident; it is between the traditional paternalistic organization of recruitment under state socialism and the rational bureaucratic organization typical for a modern market economy (cf., Weber [1922]1978). Personal relationships govern paternalistic recruitment and loyalty to the boss is one of the main selection criteria. In contrast, formal rules and procedures govern rational bureaucratic recruitment and the selection criteria are primarily meritocratic. Our goal in this Chapter is to carefully document how and to what degree the existent labor market institutions and recruitment practices resolve this tension, so academics could understand the dynamics behind the observed phenomena while practitioners of human resources could effectively align their recruitment methods with the environment in which they operate.

We start with a brief description of the context in which recruitment practices have been developing since the economic liberalization of 1992. Next, we outline the general approach to recruitment in Russian firms and proceed with a detailed discussion of recruitment practices in each of the three sectors of the labor market introduced above, drawing on almost ten years of our own research as well as the vast literature on the subject in sociology, organization theory, and economics. To explore the latest developments, we engage rich data from the ongoing project “Management and Labor Relations: Management Practices of Modern Russian

Enterprises” that includes 55 cases studies of large, medium-size, and small firms from a variety of economic branches located in seven Russian regions.¹ We conclude the Chapter with a speculative discussion of the direction in which Russian recruitment practices are heading and the actors that shape it.

The Russian Labor Market as a Context for the Transformation of Recruitment Practices

The Russian socialist state’s control over labor was undermined already in the late 1980s when Gorbachev’s reforms legitimized unemployment, freed wages, and allowed private economic activities (Ohtsu 1992[1988], Oxenstierna 1990). However, the deep economic decline and political crisis that followed put Russia’s state, enterprises, and citizens in the survival mode. Major structural reforms of the economy proceeded very slowly and controversially or were put on hold altogether. Enterprises mobilized their limited financial and administrative resources towards maintaining the infrastructure, labor collective, and minimal production level. The metaphor “adaptation without restructuring” (Kapelyushnikov 2001) most tellingly characterizes the state of the labor market in that period.

Under such circumstances, those few firms that could offer well paid jobs virtually closed their doors to outsiders hiring exclusively from the internal labor market or through personal connections (Clarke 1999, Yakubovich and Kozina 2000). Exceptions from this rule were allowed only when a worker with rare skills had to be found. At the same time, failing firms’ most valuable workers were most likely to leave first to pursue other opportunities, and the firms had no resources to attract equivalent replacements. As a result, neither successful nor failing firms were particularly interested in overhauling their recruitment practices. Numerous new labor market intermediaries which mushroomed at the time had no choice but to limit their role to providing unskilled and low-skilled workers who could fill low-paid high-turnover jobs.

As the economy started to improve in the aftermath of the financial crisis of August 1998, previously failing enterprises faced the challenge of renewing their dilapidated labor force while more successful ones experienced strengthening competition for skilled labor. The aging of the labor force, decreasing life expectancy and low birth rate further aggravated the shortage of skilled workers. The collapse of the Soviet system of vocational training and the low quality of education in new market-oriented fields did not help address it either. The task of identifying and attracting qualified candidates on a large scale became critical. Firms approached it with a variety of managerial tools which are discussed in detail below.

General Approaches to Recruitment

To place recruitment into the overall strategy and structure of a Russian firm, we have to understand first the managerial model by which a typical Russian firm is governed. By and large,

¹ The project covers the 4-year period from April 2002 until March 2006 and is carried out by the Inter-Regional Institute for Comparative Analysis of Labour Relations (ISITO) in collaboration with the Center for Comparative Labour Research at the University of Warwick, United Kingdom. It is directed by Simon Clarke, Tony Elgar, and Veronika Kabalina and funded by the British Economic and Social Research Council (ESRC).

the management of Russian enterprises is highly centralized in the hands of the CEO. To maintain the centralization, the CEO tightly controls financial flows and human resources. The control over human resources is often justified by the CEO's "unalienable right" to assemble his own management team. By the same token, the members of the CEO's team form the teams of their immediate subordinates, and so the process is replicated on each level of the organizational hierarchy. Since "personal chemistry" is believed to be the key to a managerial team's success, informal selection criteria dominate formal ones and, accordingly, the role of human resources departments is reduced to handling paperwork. Even the background check, a staple of a Soviet Personnel Department, is often taken over by security departments, post-reform structures mushroomed in response to the inability of the state to enforce contracts and protect businesses from criminals.

At the same time, there are countervailing factors that bring departments of human resources to the frontline of recruitment. First, as a line manager's span of control increases, the effort required to fill a growing number of vacancies increases, too. The demand on the manager's time becomes unbearable when the firm grows rapidly. Second, striving to increase efficiency and productivity, firms resort to Western managerial and organizational know-how. The carriers of such knowledge are foreign consultants as well as a new generation of Russian HR professionals who speak foreign languages, hold professional certificates and degrees from Western educational institutions, and often have some work experience at Western companies. They offer prepackaged sets of templates for training, evaluation and promotion, compensation systems, job analysis, and other HR functions. Expecting in return a high pay as well as high status, they are not satisfied by the traditional secondary role of HR departments and struggle for control over the labor force, in general, and recruitment, in particular. In that struggle, they often find allies in the firm's outside owners and Western partners. The former want some additional leverage over executives, the latter expect to see familiar transparent management practices.

The distribution of control over the labor force between a firm's line management and human resources management is highly contingent on intra-firm factors and we have very little evidence to make far-reaching generalizations. It is clear, however, that it is a crucial determinate of the firm's recruitment practices.

The Internal Labor Market

For the majority of Russian firms, the current labor force is the primary pool of candidates to fill emerging vacancies. Managers justify this practice by low costs of internal search and deep knowledge of current workers' skills and potential. Likewise, current workers better understand the characteristics and requirements of the jobs and employer. Better information leads to a better match with minimal costs.

The logic appears entirely consistent with the concept of the internal labor market developed in labor economics. ILMs are a rational and efficient response to turnover and training costs; they preserve firm-specific human capital and ensure that senior workers will train junior personnel (Doeringer and Piore 1971). However, the similarities end here. While the textbook ILM operates according to bureaucratic rules and classificatory logic, the ILM of a typical Russian firm is structured by informal ties among workers and between workers and managers (cf., Stark

1986). A candidate's social fit with the collective and loyalty to the supervisor become leading selection criteria. The HR department often learns about a vacancy after a candidate has been found by the immediate supervisor of the position, when processing the paperwork remains the only function to be completed.

The literature defines the ILM at the level of an establishment rather than a firm as a whole which is rather restrictive for some categories of employees. This is particularly true for large holding companies and business groups which dominate the modern Russian economic landscape. Managerial career ladders in such organizations are not confined to one establishment. A manager or whole management team that built reputation at one establishment is often assigned to run another. The exposure to a diverse set of business units becomes a prerequisite for the advance to a top position at the firm as a whole. The practice appears particularly common among rapidly growing businesses which set up new units through greenfield investments or acquisitions. In our study, it has been observed at a number of companies in construction materials, petrochemicals, and telecommunications. Managers responsible for financial and macro-economic policies are more likely to be recruited this way than those responsible for production.

The Extended Internal Labor Market

If an internal candidate is not found, the position becomes available in the extended internal labor market (EILM) which by definition encompasses the social networks of the firm's current workers (Manwaring 1984). There is nothing unique about Russian managers' preference for personal contacts. At the most general level, the reasons are quite similar to the ones emphasized by their Western counterparts. First and foremost, personal contacts help employers and job candidates learn about each other and thereby improve the fit between them (Fernandez, Castilla, and Moore 2000; Rees and Shultz 1970; Simon and Warner 1992). However, in the Russian context, such information benefits are often specific to the economy in transition. For example, because a widely accepted vocabulary that could be used to specify job requirements is still lacking, firms often cannot articulate the qualifications and skills they look for. Only those who have intuitive knowledge of the firm's operation can identify appropriate candidates.

When the employer can explain his job requirements, he often distrusts the formal signals that are supposed to indicate them. Mushrooming new universities and institutes do not have established reputation. A labor book, the legal document issued by a person's first employer and used to trace her work history, can be easily altered and even purchased in the black market. Generic job titles, often listed in labor books, say little about the duties and responsibilities the person have had in previous jobs.

In addition to solving information problems, hiring through personal contacts ensure that newcomers are faster socialized into the firm and therefore have an easier time acquiring tacit knowledge which is deeply embedded in the social context (Bailey and Waldinger 1991; Fernandez, Castilla, and Moore 2000; Manwaring 1984, Reichers 1987, Sutton and Louis 1987). In the Russian case, socialization also implies the personal loyalty of a worker to the boss which can be valued higher than skills and experience. There is a very pragmatic reason for the high value of personal loyalty in the context of emerging markets: any Russian enterprise operates in

the shadow economy at least to some degree; disloyal employees may expose the firm's questionable business practices to the state or criminals and thereby make it vulnerable to legitimate demands as well as blackmail.

There is some evidence that job candidates referred by personal contacts are similar to their referrers, at least, in terms of observable formal characteristics (Fernandez, Castilla, and Moore 2000; Rees and Shultz 1970). Thus, if the firm is happy with its current workforce, it can reproduce it by hiring through social networks. Finally, recruitment through the EILM is a 'fringe benefit' which is used by management as recognition of workers' influence and can be withdrawn as a disciplinary measure (Manwaring 1984: 168).

A long tradition of research equates the recruitment through social networks with labor market closure, because vacancies become unavailable to outsiders, i.e., to those who do not have personal ties to the enterprise (Granovetter 1995; Grieco 1977; Manwaring 1984; Petersen, Saporta, and Seidel 2000; Waldinger 1996). Contacts act in the best interests of their relatives and friends, trying to shield them from competition. This is exactly what happened in Russia in the 1990s. Relatively good vacancies did not appear in the external market and by various estimates between 60-75% of all the vacancies were filled through personal networks which were mobilized to exert influence on employers rather than to find job information (Clarke 1999, Gerber 2003, Kozina 1999, Yakubovich 2005). For employers, labor market closure is a double-edged sword. On one hand, employers recognize the importance of social cohesion for the economic wellbeing of their enterprises and therefore do not resist workers' promotion of their relatives and friends. On the other hand, market competition forces employers pay attention to candidates' technical qualifications. Innovative recruitment practices often emerge under these conflicting pressures.

For example, personnel departments at Russian firms maintain lists of relatives and friends of their workers interested in being hired. The lists usually contain detailed information about candidates' qualifications but a personal relationship to a current employer is a prerequisite for getting in line. Such "hybrid" methods appear first in foreign-owned firms, whose owners push for more rationalization and transparency in business processes, and then are adopted by others through diffusion. Among firms in our study, a metallurgical plant in the Ural Mountains lists about 1,600 relatives and friends of its workers who hope to get a job with the company. A producer of electric equipment in Siberia modifies this practice by allowing retiring workers to suggest a relative as a replacement. This helps rejuvenate the labor force, mitigates inter-generational tensions, and creates an additional control mechanism:

"It makes it easier for them [pensioners] to retire, and the family maintains a breadwinner. And it is convenient for us that someone looks after the youth – if something happens, we can call and complain..." (from an interview with a shop's deputy chief).

The conventional concept of the EILM is too narrow, though, because it ignores the fact that in addition to personal networks, the ties between workers and their places of previous employment are common recruitment channels. A few studies of the Russian labor market document the phenomenon of return mobility when workers who left the firm voluntarily or were fired come

back.² The scope of this phenomenon is still debated. In Clarke's study of 16 manufacturers in four Russian cities, the extent of return mobility varies from 0 to 34% (Clarke 1999: 235). Brown and Earle (2002) analyze a nationally representative sample of 530 industrial firms and estimate the rate of rehiring at not more than 10.5% of accessions in any year between 1990 and 1999. A representative study of the Samara labor market reports the extent of return mobility at 21.4% (Yakubovich 2006).

Clarke (1999: 236-237) offers a number of reasons for return mobility: general economic uncertainty distorts employers' and workers' expectations regarding their labor market opportunities; employment at new private enterprises turns out to not be as attractive as it appeared from outside, forcing workers to return to their origins; workers' firm-specific skills make them unemployable at other places; newly employed workers quickly discover that in a time of crisis newcomers are laid-off first, their return to the place of previous employment restores their insider status and thereby provides some security.

On the demand side, return mobility can be seen as a substitute for the Western practice of temporary layoffs when a worker is dismissed because of slack business but is then invited back as soon as the firm recovers. A similar practice of Russian firms is known as "unpaid leave." The limited data available suggests that between 11-16% of employees experienced, on average, 8 weeks of unpaid leave within any given year between 1996-1998 (Earle and Sabirianova 2002). However, the practice stands on a weak legal and institutional foundation since it violates labor contracts (Earle and Sabirianova 2002). Return mobility addresses this problem while working exactly the same way. For instance, when demand for its product increased in the fall of 1994, the Samara Chocolate Factory took back almost all the pensioners it had dismissed a couple of months earlier (Clarke 1999: 237). These days, the practice becomes indispensable for the former Soviet firms that manage to grow on their old equipment. They address the shortage of skilled workers by bringing back middle-aged and retired former employees who left in the downturn of the 1990s:

"We started pursuing retirees, so they would stay or come back while before we motivated them to quit" (from an interview with the head of a trade union, Samara Machine-Building Plant).

Our ethnographic fieldwork in various Russian regions documents mid-level managers' extensive knowledge of the whereabouts and well-being of their former employees which keeps the latter in the extended internal labor market.

² Clarke (1999: 234-235) traces the origins of repeated hiring to idiosyncrasies of the Soviet welfare system. Under that system, distribution of the most valuable goods such as housing and cars was accomplished primarily through workplaces and organizations, which varied widely in their ability to actually deliver them. Accordingly, workers would take a job in a more promising firm to obtain housing and then would switch back to the previous employment. Surveys carried out in industrial enterprises in 19 cities in the Soviet period estimate the level of return mobility at 15% of all inter-factory transfers and 20-27% of all separations for particular enterprises. Overall, 12% of quitters later returned to their former place of work (Otsu 1992: 281).

A referral program, when a worker is paid a bonus for bringing qualified candidates, is a well-established practice of motivating workers to mobilize their networks for the benefit of the employer (Halcrow 1988). The bonus is supposed to realign the employer's interest in finding a qualified worker with the interests of the referrer who otherwise would worry much more about helping his friends than solving the employer's problem (Neckerman and Fernandez 2003). In Russia, referral programs are pretty rare and used primarily by most successful firms who seek candidates of rare qualifications and skills for high-paid positions. Our study of 55 firms offers only one example of a Machine-Building Plant whose management introduced RUB 1,000 (\$35) for referring a skilled worker who would be hired and survive a probation period.

Paradoxically, the proliferation of referral programs leads to formalization of informal channels and transform networks from workers' tool of labor market closure to employers' tool of labor market opening (Yakubovich 2006). Indeed, the literature traditionally contrast formal recruitment which "occurs when firms take deliberate steps to generate applicants" with informal methods which "involve little expenditure of effort or resources; thus they are often described as passive" (Waldinger and Lichter 2003: 94-95). Manwaring's EILM owes its existence to the inaction of the employer who postpones broadcasting new vacancies to give contacts of present employees a headstart, or avoid notifying certain agencies altogether even when he is obliged to do so (Manwaring 1984: 163). Networks take care of vacancies without employers' apparent intervention and, left to their own devices, close the market to strangers.

On the contrary, with the advent of referral programs, social networks become a means for screening for talent and reaching out to potential job candidates who otherwise would not apply (Breugh and Mann 1984; Fernandez, Castilla, and Moore 2000). Management textbooks present such an outreach effort towards a larger more diverse pool of applicants as an economically sound strategy of managing human resources (e.g., Baron and Kreps 1999: 339-340). The proactive use of network ties by an employer alters the incentives of the workers who become more motivated to represent the interests of their employers than to do favors to their social contacts. Going beyond the immediate circle of family and friends, they assist in opening the labor market rather than closing it. In this regard, social networks complement formal channels such as government-run employment centers, private employment agencies, and mass media which we discuss in the following section. Most importantly, hiring through networks becomes another function of HR departments and, by extension, a component of bureaucratic recruitment. This trend barely takes shape in Russia but the direction appears clear. The competition between line managers and HR professionals will determine its long-term outcome.

The External Labor Market

A Russian firm's strict preference for hiring internally and in the EILM implies that there are two reasons for jobs to remain vacant after passing those stages: either no one among potential candidates wanted the job or no one was qualified to get it. The very same two factors determine a vacancy's future in the ELM.

Internally undesirable vacancies belong to the secondary sector of low-skills, poor pay, high-turnover jobs. The technological backwardness and mass deskilling at old Soviet enterprises still generate them in large numbers. The formal requirements to seekers of such positions are very

basic: the existence of a Labor Book,³ no predisposition to alcoholism and other “harmful” habits, and conscientiousness. The Federal Employment Service, private employment agencies, and job ads in mass media are the main channels through which such positions are filled.

The Federal Employment Service (FES) is supposed to play the dual role of the distributor of unemployment benefits and an employment agency. It was established in 1991 and, according to the Labor Code of that period, all enterprises were required to submit their vacancies to the FES’ database. Never enforced, the provision is absent from the new Labor Code of 2001. Thus, the FES’ current legal status is consistent with what the FES is in reality - the last resort for the most disadvantaged workers (Clarke 1999, Kabalina and Kozina 2000). Non-surprisingly, only a small percentage of secondary sector jobs are actually filled through it. According to rough estimates of the HR professionals from the firms we surveyed, about 90% of unskilled jobs are filled through ads in mass media. For attractive jobs with no internal candidates, ads in mass media are low-cost but ineffective a method; about 90% of those who respond to job ads are deemed unqualified and only one person out of 100 is found to be a good fit. Thus, high costs of screening make low costs of attracting candidates irrelevant. Only a firm with a full-fledged personnel department may consistently benefit from job ads.

Private recruitment agencies seek candidates for both skilled and unskilled jobs. In fact, in the Russian business literature, the term recruitment is often translated as *рекрутинг* (recruiting) and refers exclusively to the business conducted by specialized private recruitment agencies. The first agencies appeared in Russia in the early 1990s, signifying the collapse of the state monopoly on labor allocation. A number of them were set up or run by entrepreneurs who gave up or lost their increasingly unattractive jobs in the state sector, ended up in the labor market for that reason, and saw an opportunity in becoming a labor market intermediary herself. Initially, recruitment agencies offered their services to foreign firms but gradually reached out to joint ventures, Russian distributors of foreign products, and finally to Russian private firms. Their proliferation at the early stage was slow in part because of the closure of the Russian labor market described above, and in part because of the dominance of the Soviet norms and practices which stigmatize commoditization of labor. As of 2004, up to one thousand agencies operated in Russia, including about 350 in Moscow, 100 in St.Petersburg, 35-40 in each of the ten largest regional centers with population over 1 million, and several agencies (up to 8) in other 20-25 cities. Not more than 30 agencies are foreign owned. They generate about \$100-140 mln in revenues annually, most of it from Moscow (70%) and St.Petersburg (10%). The market grows 20-25% a year since 2000 (Alliance Media 2004). Established in 1996, the Association of Personnel Search Consultants (*Ассоциация консультантов по подбору персонала*) fosters the maturation and professionalization of the recruitment industry.

Recruitment agencies can be classified into three categories: executive search, cadre agencies (*кадровые агентства*), and employment agencies (*агентства по найму*). Members of the first category “headhunt” for candidates to fill top positions in major corporations. By some

³ The labor book is the main document that confirms a person’s work history. The Russian Labor Code requires that an employer makes a record in a worker’s Labor Book if the person held the job for more than five days. The requirement that a worker has it simply means that the employer wants to verify his work history.

estimates, they comprise less than 10% of the agencies' total pool (Melnikova 2005). Cadre agencies focus on the middle-level management and specialists; employment agencies fill standard white- and blue-collar positions. Some combinations of these functions are possible. Although almost all the firms in our study have experience with private recruitment agencies, the assessment they give them is rather low in terms of the quality of the service in comparison with the price paid. In response, recruitment agencies blame the immaturity of the Russian labor market where widely understood job descriptions and requirements are still wanting. As a result, their clients cannot clearly articulate their expectations. This is particularly true for the small business which often needs workers with pretty unusual combinations of skills. It is a simplification to treat recruitment agencies as pure formal labor market channels. Their ultimate success depends on recruiters' embeddedness in relevant networks of employers, on one side, and job candidates, on the other.

The emergence of the Internet as an alternative labor market intermediary is threatening both traditional adds in mass media and low-end recruitment agencies. Both employers and workers actively engage it in search for each other. Firms advertise jobs on their websites; workers post their resumes on their personal pages; "virtual" agencies and their "real" predecessors, which expand into the cyberspace, do both. Kuhn and Skuterud (2004) find that between 1998 and 2000 regular Internet job search in the US grew from 6% to 9% in the population at large, from 7% to 11% for employed workers, and from 15% to 26% for unemployed job seekers. Observers of this spur of activity claim that the Internet opens new channels of communication between workers and firms, reduces the problem of imperfect and asymmetric information pervasive in labor markets as well as costs of search. At the same time, it heightens the problem of adverse self-selection: less able candidates, who in the past would not bother to apply, find it very easy to do electronically (for review, see Autor 2001).

Empirical evidence of the effectiveness of the Internet as a matching channel is limited. Li, Charron, and Dash (2000) report that even among Internet users surveyed in 1999, only 4% found their most recent job over the Internet compared with 40% via referral. Those who search on the Internet do not abandon conventional methods but, on the contrary, engage them more. According to the US Current Population Survey, unemployed workers who look for work on line use "on average of 2.17 conventional search methods, compared to 1.67 for other unemployed workers" (Kuhn and Skuterud 2004: 221). Kuhn's and Skuterud's analysis shows that unemployment durations are not shorter and can even be longer among Internet searchers and the adverse selection is the most likely explanation for this. The unemployed may be forced to search on the Internet because their social networks are poor (Kuhn and Skuterud 2004). Observing the use of Internet technologies at an employment fair in France, Neuville (2001) finds widespread mismatches which force fair participants to fall back on social networks and face-to-face contacts.

Internet users in Russia are still a pretty exclusive segment of the population with relatively high education and skills. Since the late 1990s, when computer specialists monopolized the channel, there emerged a tendency towards a much wider representation. In 2002, 11.8% of résumés at www.rabota.ru were posted by students, 9.4% by administrative personnel, 7.6% by workers in the finance industry, and only 6.4% by programmers (The Career Forum 2002). Recruitment agencies pay for the right to access this and similar sites and to browse through the résumés.

There is no evidence to judge how agencies use that information or how effective the Internet channel is in general. We expect that over time the problem of adverse selection will challenge the Russian virtual labor market, too. To address it, the market will have to develop new institutional arrangements which are at this point impossible to foresee (Autor 2001).

Educational institutions are important players in any labor market. Under state socialism, they personified the state system of distribution of labor, which centrally assigned graduates of vocational and higher schools to state enterprises. Market reforms freed enterprises from the obligation to unconditionally accept such graduates, which led to the system collapse. Educational establishments can no longer rely on the state to secure employment for their graduates; instead, they have to act as market intermediaries matching the graduates with jobs. Those that are old enough to have become accustomed to guaranteed employment for their graduates under state socialism attempt to capitalize on preexisting relationships with employers. Under the distribution system, educational establishments tended to deal with the same pool of employers from year to year and therefore often built quite stable relationships with them. Such relationships did not disappear overnight after the compulsory requirements of distribution were abandoned. Some researchers argue that enterprises feel committed to their schools and try to accommodate the graduates even if this is economically unsound (Gimpelson and Lippoldt 1999). An alternative explanation refers to the long-term character of the placement contracts between enterprises and educational establishments which were signed at the end of the 1980s. Researchers believe that contractual obligations force enterprises to hire graduates; as soon as such contracts expire they are very unlikely to be renewed (Kapelyushnikov 2001).

Such arguments would be sufficient if the relationships between employers and educational institutions were frozen in time. Our research shows that they are undergoing substantial transformation resulting in new organizational forms. Universities and institutes organize job fairs, sign agreements with the enterprises to secure the status of a young specialist for those graduates who launch their careers there, create associations of employers which pursue collaborative projects with potential employers and thereby put to productive uses its intellectual potential and raise funds for its primary educational activities. The projects usually involve some students who get a chance to demonstrate their abilities to prospective employers and, if successful, to receive attractive job offers.

Overall, the external labor market has been growing together with the economy as a whole. According to various sources, between 32-55% of managers use and recognize as effective adds in mass media and between 20-38% think the same about recruitment agencies, despite the fact that in the late 1990s only 8% of hires were made in the ELM (Kozina 1999). At the same time, for some categories of workers the role of the ELM remains minor. In particular, according to the survey carried out within our study, only 5% of current managers passed through open competitive selection while 31% were recruited through personal ties and 51% were promoted internally. Interestingly, for personnel and marketing managers open recruitment is sufficiently common, about 15% for each group (see Figure 1).

The Institutional Dynamics of Recruitment

Some exceptions notwithstanding, the description of the recruitment practices and channels presented above is rather static. In this last section we would like to discuss the direction in which they are developing and the forces that shape that direction. Our emphasis is on both similarities with and differences from developed labor markets. Overall, our presentation suggests that the Russian institution of recruitment is not qualitatively different from its counterparts in any developed market economy. It is populated by similar actors who do similar things. The closure of the Russian market may be higher but it is a matter of quantity rather than quality and can be explained by the severe shortage of attractive jobs during the economic downturn of the 1990s. Some evidence presented earlier clearly indicates the market openness is greater in booming sectors of the economy. Can we conclude that there is nothing at all qualitatively distinct about the Russian case?

To start answering this question, let us engage some historical evidence from a developed economy. In response to job shortages related to the conversion to a peacetime economy in the US after the World War II, firms did not restrict access to their jobs to outsiders, as it happened in Russia in the 1990s after the collapse of the Soviet economy and state. On the contrary, personnel departments in the US implemented formal selection and evaluation procedures for choosing qualified individuals from a large pool of candidates. Personnel professionals succeeded in defending their turf because by then the profession had been firmly institutionalized (Baron et. al. 1986).

In Russia, the institutionalization process is accelerating. Numerous formal organizations and informal communities of HR workers set standards and norms that mold recruitment as a profession. To appreciate the intellectual and organizational vibrancy of HR workers, it is enough to visit one of their communities on the Web. For example, the site www.e-xectuive.ru is full of hot debates on a variety of theoretically and practically important topics, such as the value of recruitment agencies, professional ethics, kickbacks in hiring, headhunting by HR departments, etc. There is a clear generational shift among HR personnel. While the typical Chair of a Soviet Personnel Department is a retired senior military officer, young HR professionals are highly educated, speak foreign languages, and know modern human resources technologies. They seek compensation commensurate with these knowledge and skills and strive to change the status of personnel departments within organizations by asserting that human resources management has a strategic component and therefore deserve a representation at the executive suite. As we discuss above, line managers treat claims like this with suspicion and attempt to preserve their prerogative in making personnel decisions. The outcome of this struggle is firm-specific. However, our study shows, that by and large, top and line management so far preserve their position by routinely circumventing formal procedures and delegating to HR departments paperwork.

Although the Russian case may still prove to be idiosyncratic, the literature suggests that HR professionals alone are unlikely to achieve formalization of recruitment practices. In particular, the state's actions and inactions are crucial. Going back to the example of personnel departments in the US in the 1940s-1950s, it is worth to mention that the state enhanced their role in recruitment by introducing veteran preference policies (Baron et. al. 1986). An example of the Russian state's effort is the before mentioned provision of the Russian Labor Code circa 1990s

which required firms to submit all their vacancies to the Federal Employment Service. However, the requirement was never enforced and completely disappeared from the new Labor Code introduced in 2001.

In fact, neither the current Labor Code nor other labor legislation says anything about recruitment. Article 3 of the Labor Code explicitly forbids any kind of discrimination in the labor market (The Labor Code of the Russian Federation 2001). In practice, however, discrimination is open and rampant. Russian employers routinely indicate age, gender, health, physical appearance, and other ascriptive characteristics in job ads. From the content analysis of employment ads published in Samara newspapers in June and December 1998, Alasheev (1998) finds that 18.6% of the ads published in June and 23.8% in December contained an explicit gender requirement. To confirm that the situation has not changed much since then, it is enough to look at job ads on Russian web sites. There is nothing extremely unusual about such requirements. Even in developed labor markets, employers often expect applicants to satisfy them (Barber 1998: 21; Rees 1966: 562; Waldinger and Lichter 2003: 150-153). The difference is that in such markets they are typically illegal. Firms have no choice but to formalize their recruitment and promotion practices which gives a boost to HR departments even if discriminatory attitudes survive covertly or even subconsciously. The 1964 Equal Opportunity Law in the US had such an unintended effect (Dobbin et. al. 1993). However, the state's effort has to be strong and consistent, since proving in court discrimination in recruitment is extremely difficult. Alternatively, bureaucratization of personnel practices can happen in response to the pressure from trade-unions (Baron et. al. 1986), although recruitment is not their first priority either. Moreover, such a development is unlikely in Russia where trade-unions are in an extremely weak position and very poorly represented at private firms (Ashwin and Clarke 2003).

The evolution of the Russian labor market is far from over and its outcome is far from clear. Unavoidably, our presentation is just a stop-cadre of this process, albeit the one which, as we believe, provides a valuable framework for academics and practitioners interested in understanding and increasing the effectiveness of Russian recruitment practices.

Bibliography

- Alasheev, Sergei. 1998. "Content-Analysis of Job Ads in Samara Newspapers." Report.
- Alliance Media. (2004). "Maly bizness dlya podbora personala ne polzuetsya uslugami kadrovyykh agenstv." (Russian: To Hire Personnel, Small Businesses Do Not Use Recruitment Agencies.) <http://www.allmedia.ru/newsitem.asp?id=728026>
- Ashwin, S. and S. Clarke. (2003): *Russian Trade Unions and Industrial Relations in Transition*. Basingstoke: Palgrave.
- Autor, David. 2001. "Wiring the Labor Market." *Journal of Economic Perspectives*, 15(1): 25-40.
- Bailey, T. and R. Waldinger. (1991): "Primary, Secondary, and Enclave Labor Markets: A Training System Approach." *American Sociological Review*, 56(4): 432-445.
- Barber, Alison E. 1998. *Recruiting Employees. Individual and Organizational Perspectives*. CA: Sage Publications.

- Baron, J.N., F.R. Dobbin, and P.D. Jennings. (1986): "War and Peace: The Evolution of Modern Personnel Administration in U.S. Industry." *American Journal of Sociology*. 92(2): 350-383.
- Baron, James N. and David M. Kreps. 1999. *Strategic Human Resources: Frameworks for General Managers*. New York, NY: John Wiley & Sons, Inc.
- Breaugh, J.A. and R.B. Mann. 1984. "Recruiting Source Effects: A Test of Two Alternative Explanations." *Journal of Occupational Psychology*. 57: 261-267.
- The Career Forum. (2002): "Elektronny Recruiting: Moda ili Vyzov Vremeni?" (Russian: Virtual Recruitment: A Fashion or Challenge of Times?)
www.careerforum.ru/data/articles/atc_detail_arch.php?sec=1&id=665.
- Clarke, Simon. 1999. *The Formation of a Labour Market in Russia*. Cheltenham, UK: Edward Elgar.
- Dobbin, F., J.R. Sutton, J.W. Meyer, and W.R. Scott. (1993): "Equal Opportunity Law and the Construction of Internal Labor Markets." *American Journal of Sociology*. 99(2): 396-427.
- Earle, John S. and Sabirianova, Klara Z. 2002. "Understanding Employment: Level, Composition, and Flows." In Mansoor Rashid (Ed.), *The Russian Labor Market: Moving from Crisis to Recovery*. Washington, DC: World Bank.
- Fernandez, Roberto M., Emilio Castilla, and Paul Moore. 2000. "Social Capital at Work: Networks and Employment at a Phone Center." *American Journal of Sociology* 105(5):1288-356.
- Gerber, T. 2003. "Getting Personal: The Use of Networks for Successful Job Searches in Russia: 1985-2001." Working paper.
- Gimpelson, Vladimir and Douglas Lippoldt. 1999. "Private Sector Employment in Russia." *Economics of Transition*, 7(2): 505-533.
- Granovetter, M. (1995): *Getting a Job: A Study of Contacts and Careers, 2nd edition*. Chicago: University of Chicago Press.
- Grieco, M. (1987): *Keeping It in the Family: Social Networks and Employment Chance*. London: Tavistock.
- Kabalina, V. and Kozina, I. (Ed.) (2000). *State and Private Employment Services in the Labor Market*. (In Russian: Государственные и частные службы занятости на рынке труда.) Moscow: ROSSPEN.
- Kapelyushnikov, Rostislav. 2001. *Rossiyskiy Rynok Truda: Adaptatsiya bez Restructurizatsii*. (Russian: *The Russian Labor Market: Adaptation without Restructuring*). Moscow: Higher School of Economics.
- Kozina, I. (1999): "Restructurovanie rynka truda i kanaly mobilnosti." (Russian: Restructuring of the labor market and mobility channels.) *Employment and Households' Behavior. Adaptation to Conditions of the Russian Transitional Economy*, ed. by V. Kabalina and S. Clarke. In Russian. Moscow: ROSSPEN. 172-200.
- Kuhn, Peter and Mikal Skuterud. 2004. "Internet Job Search and Unemployment Durations." *American Economic Review*, 94(1): 218-232.
- The Labor Code of the Russian Federation. (2001).
- Li, C., Charron, C., and Dash, A. (2000): "The Career Networks." Cambridge, MA: Forrester Research. <http://www.forrester.com>

- Melnikova, T.L. (2005): "Kadrovye i Rekrutirovyye Agetstva. Tipologiya i Analiz Raboty." (Russian: Cadre and Recruitment Agencies. Typology and Performance Analysis.) *Rabota & Zarplata*. www.zarplata.ru/workman/print_id~304.asp.
- Neckerman, K. and R. Fernandez. (2003): "Keeping a Job: Network Hiring and Turnover in a Retail Bank." *Research in the Sociology of Organizations*, 20:299-318.
- Halcrow, A. (1988). Employees are your best recruiters. *Personnel Journal*, 67:42-49.
- Neuville, Jean-Philippe. 2001. "Good 'Tips' in the Labor Market. Can the Internet Make an 'Economy of Quality' a Market?" *Sociologie du Travail*, 43(3):349-368.
- Ohtsu, Sadaeci. 1992 [1988]. *Sovetskiy Rynok Truda* (Russian: The Soviet Labor Market, a translation from Japanese). Moskow: Mysl.
- Oxenstierna, Susanne. 1990. *From Labour Shortage to Unemployment: Soviet Labour Market in the 1980's*. Stockholm: Swedish Institute for Social Research.
- Petersen, T., I. Saporta, and M. L. Seidel. (2000): "Offering a Job: Meritocracy and Social Networks." *American Journal of Sociology* 106(3): 763-816.
- Rees, A. (1966): "Information Networks in Labor Markets." *American Economic Review* 56(1/2): 559-66.
- Rees, A. and G. P. Shultz. (1970): *Workers and Wages in an Urban Labor Market*. Chicago: University of Chicago Press.
- Reichers, A. E. (1987): "An Interactionist Perspective on Newcomer Socialization Rates." *Academy of Management Review*, 12(2): 278-287.
- Simon, Curtis J. and John T. Warner. 1992. "Matchmaker, Matchmaker: The Effect of Old Boy Networks on Job Match Quality, Earnings, and Tenure." *Journal of Labor Economics*, 10(3): 306-329.
- Sutton, Robert I. and Maryl Reis Louis. 1987. "How Selecting and Socializing Newcomers Influence Insiders." *Human Resources Management*, 26: 347-361.
- Stark, D. 1986. "Rethinking Internal Labor Markets: New Insights from a Comparative Perspective." *American Sociological Review*, 51(4): 492-504.
- Waldinger, Roger. 1996. *Still the Promised City? New Immigrants and African-Americans in Post-Industrial New York*. Cambridge, MA: Harvard University Press.
- Waldinger, Roger and Michael I. Lichter. 2003. *How the Other Half Works*. Berkeley, CA: University of California Press.
- Weber, M. ([1922] 1978): *Economy and Society: An Outline of Interpretive Sociology*. Berkeley: University of California Press.
- Yakubovich, V. (2005): "Weak Ties, Information, and Influence: How Workers Find Jobs in a Local Russian Labor Market." *American Sociological Review*, 70(3):408-21.
- _____. (2006): "Passive Recruitment in the Russian Urban Labor Market." *Work and Occupations*. Forthcoming.
- Yakubovich, V. and I. Kozina. (2000): "The Changing Significance of Ties. An Exploration of the Hiring Channels in the Russian Transitional Labor Market." *International Sociology*, 15(3):479-500.

Figure 1. The Distribution of Managers by Recruitment Channel
Sample = 366 managers from 55 firms

