Mutation of HRM practices in Russia: an application of CRANET methodology

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Available online: 26 Aug 2011
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This article describes the challenges facing established practices and patterns of human resource management (HRM) during the economic recession. It 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 layoffs.

Keywords: economic recession; employment conditions; human resource management; 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%.

In this article, 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 (HRM). 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 (Gurkov 2009) and in the first half of 2010. In the depiction of existing practices and patterns of HRM 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 (Gurkov 2002; Gurkov and Zelenova 2009) and other statistical and analytical sources on Russian HRM practices.

The article 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.

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ISSN 0958-5192 print/ISSN 1466-4399 online
© 2011 Taylor & Francis
DOI: 10.1080/09585192.2011.581633
http://www.informaworld.com
The dynamics of the Russian labor market 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 active population and stood at this level, with some seasonal fluctuation, during the rest of 2009. To explain that situation, we first should remember that during 2008–2010, the employment level in the state sector (all levels of education, health services, security forces, and federal and local governmental institutions) remained stable. The largest Russian companies, proclaimed in October 2008 as ‘strategic enterprises’, tried to escape massive layoffs as much as possible – as this was one of the major conditions for receiving of state aid. However, in the competitive sectors, the elasticity of employment was not extremely high. This was revealed through the analysis of the data assembled through our surveys of corporate executives.

From December 2008 to February 2009, we administered a survey of executives of 113 Russian companies. The survey was devoted to the assessment of the current situation and the inclination toward specific anticrisis measures (Gurkov 2009). In the first half of 2010, we repeated the same survey with other 133 corporate executives, mostly of large- and medium-sized companies from both industrial and services sectors. The respondents were asked:

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

The surveyed executives indicated that the economic situation in the first half of 2010 was still significantly worse than in the middle of 2008 (significance of difference by t-test statistics is 0.000) and the market competition had become stronger (again significance of difference by t-test statistics is 0.000). Surveyed companies indicated that the level of output contracted by 10% from late 2008 and more than 40% from the prerecession period. A significant reduction of personnel (more than 10% of the total workforce) was experienced by 34% of the surveyed companies. The correlation between the changes in output and the change in employment was 0.46 (Table 1). It is interesting to note that the changes in employment have no clear connections with the dynamics of company’s costs.

Instead of layoffs, the companies used the mechanism of partial employment (part-time working days or weeks and unpaid holidays). By some estimates, in 2009, more than 20% of the employees (i.e. almost 40% of employees in the competitive sectors) were affected by...

<table>
<thead>
<tr>
<th></th>
<th>Dynamics of sales</th>
<th>Number of personnel</th>
<th>Dynamics of orders</th>
<th>Costs for production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dynamics of sales</td>
<td>1</td>
<td>0.459**</td>
<td>0.915**</td>
<td>−0.066</td>
</tr>
<tr>
<td>Number of personnel</td>
<td>0.459**</td>
<td>1</td>
<td>0.419**</td>
<td>0.083</td>
</tr>
<tr>
<td>Dynamics of orders</td>
<td>0.915**</td>
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<td>−0.083</td>
</tr>
<tr>
<td>Costs of production</td>
<td>−0.066</td>
<td>0.083</td>
<td>−0.083</td>
<td>1</td>
</tr>
</tbody>
</table>

Note: **Correlation is significant at the 0.01 level (two-tailed).
such measures, and the consequent loss of working time was the equivalent of 4–5% of the total employment (Kapelushnikov 2010a). The most striking fact was the forms of partial employment – 25% of affected employees worked shortened days or weeks by the ‘initiative of employers’, another 25% affected employees worked shortened weeks by ‘mutual agreement’, 10% of affected employees were in holidays by the ‘initiative of employers’, and 40% of the affected employees asked, and successfully obtained ‘voluntary unpaid holidays’.

Another ‘statistical artifact’ was the proportion of ‘voluntary redundancies’. If we look into the structure of dismissals in 2009, merely 7% of layoffs were initiated by employers, additional 9% were the termination of employment by the mutual agreement between the employee and the employer, and 61% of the total dismissals ‘were initiated by the employees’, with an additional 23% of the total dismissals accounted as dismissals ‘for other causes’.

As the recession in Russia transformed into stagnation, in the first five months of 2010, other than February 2010, the number of dismissed employees in the national economy still surpassed the number of hired employees, although to a smaller extent. For example, in May 2009, the difference between dismissed and accepted employees was 150,000 persons, while in May 2010, the difference was 40,000 persons (GKS 2010). However, again the proportion of the ‘voluntary leaves’ is around 65% of all the dismissals, and the absolute number of ‘voluntary leaves’ surpasses the total number of vacancies in the national economy (GKS 2010).

To understand why Russian employees voluntarily leave their jobs with an uncertain outlook for further employment or take ‘voluntary unpaid holidays’, we should look deeper into the general and specific traits of Russian HRM system.

General and specific traits of the Russian human resources management system: an application of CRANET methodology

Methodology and data

Over the past decade, there were intensive efforts to illustrate the Russian HRM system (Fey, Engstrom and Bjorkman 1999; Fey and Bjorkman 2001; Earle and Sabirianova 2002; Kivela 2006; Research and Markets 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 (Brewster, Mayrhofer and Morley 2000, 2004; CRANET 2006). The great advantage of CRANET methodology is the possibility of designing 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 toward the minor points of routine HRM administration in ‘peaceful’ circumstances.

Our first task was to select the questions that give a picture of the fundamental issues of HRM during the deep recession period. Thus, the questions on distribution of power in
HRM issues between HRM officers and line managers, on E-HRM facilities, on methods of employee development and communication, that is the questions that occupy the major place in CRANET questionnaire, became unimportant for our study.

After careful investigation of the CRANET questionnaire, we designed the following constructs for our research:

- the possibilities for collective bargaining (degree of unionization and forms of collective/individual remuneration)
- flexibility of working arrangements
- formalization of performance assessment.

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

- the proportion between the guaranteed (basic) and the flexible (legally, variable) parts in the monthly and annual take-home pay;
- the regularity of salary payments themselves (‘proliferation’ of wage arrears, voluntary and forced unpaid furloughs, and other forms of reduction of an employees’ take-home pay).

The first three constructs were analyzed with references to the CRANET data available for another post-communist country – Bulgaria. The selection was based on two reasons. First, we possessed the complete Bulgarian data from the 2008 CRANET study (Vatchkova 2009). The data for other countries from that round are still under preparation. Second, Bulgaria was the most obedient independent country of the former Communist block, who tried to imitate the every trait of the ‘Big Brother’ – the Soviet Union. After the fall of the communist system, Bulgaria also lagged in implementation of structural and institutional reforms, especially in 1990s. We expected that by making a comparison between Russia and Bulgaria, we might be able to surmount some of the myths concerning the ‘uniqueness’ of the Russian HRM system.

In the first month of the recession, October–December 2008, we managed to collect 56 questionnaires from the heads of human resource departments. Although the sample was small, it corresponded to the size of other studies of Russian HRM during the crisis. For example, the results of KPMG benchmarking survey of 2009 on HRM systems at Russian companies were based on a survey of 41 companies (KPMG 2010); the study of AVANTA personnel on HRM policies administered in October 2008–March 2009 was based on a survey of 80 companies (AVANTA 2009).

Despite the modest size of the sample, we managed to include into the survey the companies of different sizes and lines of business (Table 2). Only four surveyed companies were subsidiaries of foreign companies.

The next part of the section is devoted to the analysis of the created constructs.

**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 and labor councils. Second measure is the level at which the basic pay is determined from nationwide 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 indicate that Russian employees have extremely limited possibilities for collective bargaining. First, the share of companies with the 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 nationwide 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, team-based measures are used in 40% of companies for managers, in 38% of companies for professionals, in 23% of companies for clerical workers, and in 47% of companies for manual workers. In Bulgaria, the corresponding figures are 43% for managers, 40% for professionals, 31% for clerical workers, and 32% for manual workers. Here, we see no significant differences.

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

**Flexibility of working arrangements**

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

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

**Irregular system of work**
- Compressed working week (workers whose working week totals a standard number of hours compressed into a reduced number of shifts).
- Annual hours contract (agreement to work 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).

It is important to mention that phenomena presented in the CRANET study as ‘irregular practice’ have taken deep roots in the Russian human resources management system since the Soviet times. Indeed, many industries and sectors have an established tradition of flexible employment:
- Shift work and weekend work were/are practiced in oil and gas fields, chemical plants, power plants, and so on.
- Compressed working week, usually 12–14 hour shift every second day, is a usual practice for many enterprises of retail trade and public services, and specially compressed working week (24 hour 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 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 not 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 access to social benefits and other ‘perks’ reserved for ‘core workers’);
- fixed-term contracts (the shorter the term of the contract, the lower the security of job);
- temporary/casual employment (the euphemism for semilegal work of migrants from the former Soviet Union who are neither properly paid nor accounted for obligatory social security and pension schemes).

Results of our survey confirmed that Russian 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 teleworking (Table 3). Almost all the surveyed Russian companies practice at least several ‘irregular’ forms in organization of work time and place, where 60% of enterprises use from three up to six different forms simultaneously.

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.

**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.

**Table 3. ‘Irregular’ forms of organizing work and work time.**

<table>
<thead>
<tr>
<th>Schemes</th>
<th>Percentage of firms applying the scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Technology-routed arrangements</strong></td>
<td></td>
</tr>
<tr>
<td>Weekend work</td>
<td>59</td>
</tr>
<tr>
<td>Shift work</td>
<td>40</td>
</tr>
<tr>
<td>Annual hours contract</td>
<td>18</td>
</tr>
<tr>
<td>Home based</td>
<td>16</td>
</tr>
<tr>
<td>Teleworking</td>
<td>31</td>
</tr>
<tr>
<td>Compressed working week</td>
<td>34</td>
</tr>
<tr>
<td>Flexi-time</td>
<td>39</td>
</tr>
<tr>
<td><strong>Arrangements that may worsen the position of employees</strong></td>
<td></td>
</tr>
<tr>
<td>Fixed term contracts</td>
<td>52</td>
</tr>
<tr>
<td>Overtime work</td>
<td>57</td>
</tr>
<tr>
<td>Part time work</td>
<td>59</td>
</tr>
<tr>
<td>Job sharing</td>
<td>21</td>
</tr>
<tr>
<td>Temporary/casual employment</td>
<td>45</td>
</tr>
</tbody>
</table>

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Composition of take-home 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 territories of the Russian Federation by a federal law. No take-home pay may be lower than the minimum wage. Since 1 January 2009, the level of minimum wage was set at Ruble 4330 per month (approximately €100). Nevertheless, in April 2009, there were almost 950,000 employees with contractually set wages below the minimum wage and additional 2 million employees whose 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%), and 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 the following:

- wage rates (fixed hourly rate for the work of a given complexity);
- wage rate grid (allocation of all jobs to particular tariff rates); and
- 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 were designed in order to reach by 168 h of work the level of minimum wage (i.e. the minimum hourly pay is €0.60), the highest wage rates were not more than five times higher than the minimum ones. Meanwhile, the wage difference between 10% of employees with the lowest wages and 10% of employees with the highest wages ranges between 960% in agriculture to 1940% in financial services (GKS 2009).

As the officially set wage rate system and official rates barely secure even a minimal subsistence level, most compensation systems for workers and other employees are based on two parts of salary. The basic salary, sometimes set accordingly to the official wage rate system (in privatized and state-owned companies tariff system is used more often), may occupy between 10 and 60% of take-home pay (if the wage rate system is used for managers, the basic salary occupies between 5 and 20% of take-home pay). The second part is called ‘bonus’, but is usually considered as automatically given in order to reach the ‘normal’ level of take-home pay. Russian trade union activists understand well the negative impact of the minuscule share of basic salary in take-home pay. Prerecession nationwide agreements tried to determine the share of the basic salary in take-home pay. For example, ‘the Industrial Agreement for Organizations in Oil and Gas for 2008–2010’ stipulated that share of guaranteed wage rate based salary in take-home pay should not be lower than 40% (Russian Oil Trade Union 2008); the similar nationwide agreement applicable for factories involved in machine-building stipulated that the wage rate part of the take-home pay should not be lower than 70% and the total personnel costs should occupy not less than 30% of the total production costs (Russian Machine-Building Trade Union 2008). However, they were prerecession documents that were applicable to merely 20–25% of the companies in the corresponding industry.

Social benefits

Besides the salary system, Russian companies have recently restructured the system of social benefits (Table 4).
For a proper understanding of the data presented in Table 4, we should note that maternity (paternity) leaves, paid leave for the care of sick children, and education holidays are legally recognized in Russia as absolutely obligatory for any employer. Nevertheless, about a quarter and a third of the surveyed Russian companies freely reported that they do not use such forms of social benefits. Leave of absence schemes, such as the possibility to keep the workplace open for a woman up to three years after delivering the baby, is also mandatory in Russia. However, only 40% of Russian companies reported the use of such schemes.

Unlike parental leave additional health insurance benefits, which enable employees to use better (nonstate) clinics and hospitals are provided at the discretion of employers. Russian companies more often use additional health insurance schemes than Bulgarian ones, which may also reflect the country-level quality of the public access health services. The use of other optional social benefits (childcare allowances, pension schemes, workplace childcare) is roughly similar in both countries. We should also stress that in many cases the levels of social benefits also vary as they are usually based on seniority principles; thus, the greater an employee’s seniority the greater the level of benefits. In practice most full-time employees are entitled to all forms of benefits; only the share of their direct contribution for the benefits varies. For example, a second-year employee must pay 50–80% of the total value of additional health insurance benefit while after five years of service such an optional benefit is given free of charge.

**Wage arrears**

Besides the variability of take-home pay and employee benefit package, we should bring to the reader’s attention a very specific Russian trait – the high tolerance of employees and the government to wage arrears. These measures were widely used in the 1990s (Clarke, 1998; Earle and Sabirianova 2002). And these habits are still deeply rooted in employers’ practice. Today wages arrears are often camouflaged as ‘voluntary holidays without pay’ in order to ensure that company balance sheets are not negatively affected by nonpayment of wages, since unpaid wages are accounted as credits by Russian accounting rules. The ‘voluntary holidays without pay’ policies were initially designed to help Russian employees to cope with irregularities of their private lives like illness or the death of relatives, marriages, and honeymoons. Legally these leaves are given at the complete discretion of the employer after

<table>
<thead>
<tr>
<th>Social benefits</th>
<th>Russia</th>
<th>Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternity leave</td>
<td>78</td>
<td>51</td>
</tr>
<tr>
<td>Private health-care schemes</td>
<td>74</td>
<td>19</td>
</tr>
<tr>
<td>Parental leave</td>
<td>67</td>
<td>17</td>
</tr>
<tr>
<td>Education/training break</td>
<td>63</td>
<td>44</td>
</tr>
<tr>
<td>Career break schemes</td>
<td>41</td>
<td>4</td>
</tr>
<tr>
<td>Paternity leave</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>Childcare allowances</td>
<td>16</td>
<td>20</td>
</tr>
<tr>
<td>Pension schemes</td>
<td>15</td>
<td>21</td>
</tr>
<tr>
<td>Workplace child care</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Notes:

*These forms are mandatory to all employers accordingly to Russian laws.

*b The voluntary maternity leave may take up to three years. All this period a woman has the right to return to her last workplace at any time.
the written demand of an employee. There are no legal limits to the length of such holidays as they may last from one working day up to several months. In the last case, employees may still use the company’s social benefits but cannot apply to receive unemployment benefits.

Degree of formalization of performance appraisal system

Apart from the level of flexibility of the employment system, one of the most important elements of national human resources management system is the degree of formalization of performance appraisal system. In Table 5, we present the data on the use of formal (specially designed and approved) appraisal systems for various categories of employees.

We see that Russian companies together with Bulgarian ones try to avoid the formal appraisal system. Other countries where less than 45% of organizations use formal appraisal systems are Iceland, Spain, Finland, Austria, Norway, and Sweden. We also should note that where such appraisal systems are in place in Russian firms they are of poor quality. For ‘traditional’ functions, like production and engineering, the situation is better when companies largely rely on the Soviet experience. For relatively new functions (sales, marketing), the situation is worse. There is neither an established tradition of performance measures nor good models for the appraisal of such specialties. As a result, the simplest observable parameters that may be beyond the control of a particular employee become the criteria of their success or failure. For example, a director of sales, who (usually) has no direct authority over the advertising budget, no power to make alterations in the prices charged, and no ability to prioritize deliveries, is assessed by the variation of the company sales.

The mutations of HRM 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 take-home 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 layoffs, 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

Table 5. Use of appraisal systems for various employee categories.

<table>
<thead>
<tr>
<th>Categories</th>
<th>Russia</th>
<th>Bulgaria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management positions</td>
<td>38</td>
<td>27</td>
</tr>
<tr>
<td>Professional jobs</td>
<td>43</td>
<td>37</td>
</tr>
<tr>
<td>Clerical jobs</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>Manual jobs</td>
<td>40</td>
<td>33</td>
</tr>
</tbody>
</table>
weapon to avoid any open individual discontent is to deprive an employee of 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 (Table 1). Russian experts on labor markets mostly worry about the second step – the perspective of the raise of illegal (nonregistered) jobs in the economy. The share of these ‘illegal’ employment places increased from 20 to 28% from 2000 to 2008 and added one more percentage point in 2009 (Kapelushnikov 2010b). However, we do not consider this as the major danger. First, the costs of the use of illegal (nonregistered) jobs are rising as the governmental control becomes tighter. Second, while the sharp increase in the share of informal employment occurred in most countries in crisis times (e.g. in Indonesia in 1997, in Argentina in 2001 (ILO 2009, p. 11)), in Russia that trend was stable even during the ‘fat times’ of rapid economic growth of 2000–2007. Third, in many aspects, except for the provision of the necessary length of employment for receiving a pension that anyway will ensure hungry subsistence, jobs in the Russian informal sector are much better than poorly paid jobs in government sectors such as social services, education, and health care.

Russian companies have a significant ability to increase the amount of work conducted for the same payment without using illegal workers. What we mean here is opportunity to expand ‘irregular’ working arrangements, in particular unpaid overtime, part-time work, and job sharing. The recent ILO’s statistics demonstrates the spectacular raise of part-time employment in many countries. For example, in Estonia in one year, from the second quarter of 2008 to the second quarter of 2009, the share of part-time employment rose almost twofold – from 7 to 12% of the total employment (ILO 2009, p. 5). Instead of job creation by additional part-time workplaces, observed, for example in Canada where additional part-time jobs have the similar status as full-time jobs, in Russia the creation of part-time jobs mostly means job destruction as this enables the employer not only to apply higher standards of the intensity of work but also to save on social benefits restricted only for full-time employees. Thus, we may expect to observe in Russia in 2010–2011 the greater use of job sharing, moving to at least to the level of Bulgaria, when a single workplace is split between two or more employees.

Conclusion

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, and 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 HRM. The KPMG report on HRM systems in large Russian companies (at least those that agreed to participate in the survey) depicts a rather different picture:

- 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; KPMG 2010).

The difference in this report and our findings is largely due to the greater share of subsidiaries of multinational 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 them 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 (Fey et al. 1999; Fey and Bjorkman 2001).

However, as MNCs had largely moved away from green-field investment into expansion of their market share through acquisition of Russian companies, they were forced to accept to a 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 manufacturer AvtoVAZ for a minority stake in Renault. Irrespective of 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 HRM practices.

Acknowledgments
This work was implemented with the support of research grants 08-04-0010 and 10-04-0007 of the Scientific Fund of the National Research University – Higher School of Economics (Russia). The authors are extremely grateful to Dr Elizabeth Vatchkova for allowing them to use the most recent Bulgarian data. We are also appreciative of the valuable suggestions of an anonymous reviewer.
1. 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, PepsiCo, Unilever, Heinz, Danon. All these MNCs built their dominance in particular markets by active acquisitions of local market leaders.

References


