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## Human resource management and labour relations in post-transitional Russia

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Elena Shulzhenko

**Human Resource Management and  
Labour Relations in Post-Transitional  
Russia**

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Elena Shulzhenko

Human Resource Management and Labour Relations in Post-Transitional  
Russia

Discussion Paper SP III 2012–303

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**Abstract**

The paper discusses the role of the personnel function as described in the research literature before the background of the particular characteristics of the Russian HR conditions which have evolved during the transition period. It describes the characteristics of wage and incentive systems in Russian private enterprises, of personnel development systems, and of work organisation on the shop floor. Leadership styles and work-behaviour and work values are discussed as well as industrial relations literature dealing with the role of unions and of collective bargaining and with the perception of trade unions by employees. It ends with a brief summary and some conclusions.

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## **Preface**

The present paper was written in the context of a research project on Personnel and Production Systems in the BRIC countries. The BRIC countries – Brazil, Russia, India and China – stand for the great ‘emerging markets’ which are playing an increasing role as industrial centers of worldwide importance. Thus, the management concepts and practices pursued by companies in these countries can be expected to be of influence also for the traditional industrial countries in the future. In view of the particularities of the BRIC countries, the project is interested in the following questions: What are the critical differences of the human resources conditions in these countries? How do companies (multinationals and locals) with their personnel systems deal with these conditions? Do the multinational companies transfer their standards, or do they attempt to draw an advantage from the special conditions existing in these countries? Thus, are they banking rather on advantages such as the immense labor market, low labor costs, lack of regulation – or do they right from the start develop personnel and invest in their qualification? In this sense: Are they taking the “high road” or the “low road”, and what differences exist between companies in this regard?

The project has been carried out by the research unit “Knowledge, Production Systems and Work” by Ulrich Jürgens and Martin Krzywdzinski in cooperation with Florian Becker-Ritterspach at the University of Groningen between 2009 and 2011.

As part of the project, we asked our research partner in each of the BRIC countries for a review of the research literature of these countries dealing with country-specific approaches, traditional and newly emerging, regarding companies’ personnel systems and production organization. The present paper deals with the situation in Russia. The author, Elena Shulzhenko, is finishing her PhD at the Freie Universität Berlin and is a guest researcher at the Social Science Research Center Berlin (WZB)

Berlin, January 2012

Ulrich Jürgens

# 1 Introduction

The era of a planned economy in Russia ended in the 1990s, when most of state owned companies were privatized, new private businesses were established, and foreign investors came into a new market. The transition to a market economy profoundly changed the industrial relations and human resource management in the country. Under the planned economy companies' employment and work practices had been rather homogenous. When the state regulation over companies' policies weakened, the homogeneity gave place to a variety of wide-range personnel management practices that firms applied to adjust to the evolving market conditions.

The following is a review on personnel management and human resource conditions in Russian private enterprises in the post-transitional period based on the research literature. The focus is on recent studies conducted in the 2000s and Russian language publications, which are hardly accessible for the non-Russian speaking audience.

Most of the research on HRM and industrial relations in Russia was carried out at Russian-owned companies. A large number of studies compare formerly state-owned enterprises that were privatized after the transition ('traditional' enterprises) to the firms that were founded as private ('new private' enterprises). This holds true both for Russian-language and for foreign publications. The Stockholm School of Economics in Saint Petersburg represents an exception from this tendency; it gained access to multinationals' subsidiaries in Russia. Their publications do not provide an in-depth picture of the work realities at foreign firms in Russia, however.

The most important contribution to the research on human resource management and industrial relations in Russia was made by the Russian Research Programme of the Centre for Comparative Labour Studies of the University of Warwick and the Institute of Comparative Research of Labour Relations (ISITO) in Moscow. These scholars observed the process of social change in Russian industrial enterprises for more than a decade from the early 1990s to the late 2000s. The findings of their research were published in numerous Russian-language papers and journal articles, several collections of papers in English and Russian (Clarke, 1995, 1998; Kabalina, 2005 among others) and a monograph by Simon Clarke on the change process at Russian industrial enterprises (Clarke, 2007).

Three institutes in the Russian Academy of Sciences and the State University – Higher School of Economics have been active in research in the field of personnel management, labour relations and industrial

relations. The Institute of Sociology studied industrial relations both on macro- and company levels (DeBardeleben et al. 2004a, Clement, 2007) and workers' values and motives (Patrushev, 2006; Temnitsky, 2007a, 2008; Bessokirnaya, 2010); the Institute of Economics and the Institute of International Relations focused on labour relations in Russia from a macro-perspective (Rakitskaya, 2003; Komarovskiy and Sadovaya, 2006; Sadovaya et al., 2007; Sobolev, 2008; Anisimova and Sobolev, 2010) and on issues related to education, labour market and human capital (Soboleva, 2007); and the focus of the State University – Higher School of Economics – has been on salary systems in Russia (Gimpelson and Kapelyushnikov, 2007), on the industry's need for qualified workers (Gimpelson, 2010), on personnel management (Gurkov et al., 2009), and on industrial relations (Kozina, 2009b).

The Stockholm School of Economics in Saint Petersburg contributed to the analysis of human resource management at Russian subsidiaries of foreign companies (Fey, Nordahl and Zätterström, 1998; Fey, Engström and Björkman, 1998; Fey and Björkman, 1999; Fey, 2008) and conducted a number of comparative cross-country studies (e.g. Björkman et al.; 2007; Fey et al., 2007). The studies of the Stockholm School of Economics have cross-industry samples of firms, which vary much in size. The focus is mostly on management and white collar employees. A central question is the applicability of western management concepts, such as employee empowerment under Russian conditions.

The automotive industry did not become a major field of research on management practices and industrial relations in Russia. David Mandel's study on industrial relations in the automotive industry in Russia, Ukraine, and Belarus is the only monograph published on the topic (Mandel, 2004). Some of the Russian automotive firms in the Samara region were in the samples of the studies conducted by ISITO and Warwick University. The Russian subsidiary of the American automobile manufacturer Ford attracted scholarly attention due to its strong independent trade union.

Quite a lot of Western literature on human resource management has been translated into Russian since the 1990s, which also includes manuals and 'How to' books on employee motivation, leadership etc. At the same time, a large number of books advising managers on issues related to personnel were written by Russian management authors. This literature is not based on research and will, therefore, not be reviewed in the present article.

The paper is structured as follows: The first section discusses the role of the personnel function as described in the research literature. The second section discusses particular characteristics of the Russian HR conditions which have evolved during the transition period. The fourth section

describes the characteristics of wage and incentive systems in Russian private enterprises, the fifth section is about personnel development systems, and the sixth section focuses on work organisation on the shop floor. Section seven discusses leadership styles, and work- behaviour and work values. Section eight, finally, discusses industrial relations literature dealing with the role of unions and of collective bargaining and with the perception of trade unions by employees. The paper ends with a brief section for summary and conclusions.

## **2 Role of the personnel department**

Under a planned economy, there were two departments responsible for personnel management at an enterprise: the department of labour and wages ('otdel truda i zarabotnoy platy') and the personnel department ('otdel kadrov'). The department of labour and wages administered the wage and incentive systems. It recorded information on employees' performance and working hours and calculated wages on the basis of formulas based on the wage rates determined by the state and piece-rate norms. The personnel department was responsible for personnel records, such as hiring, promotions, movements inside of the enterprise, disciplinary sanctions, and it also carried out some organisational work, e.g. for training courses. The direct personnel management functions (hiring, promotion, discipline etc.) were spread throughout the organisation and carried out by the department heads and the line management (see more on personnel management under the planned economy in Clarke, 2007).

Bizyukov analysed the functions of the personnel departments at contemporary Russian enterprises (Bizyukov, 2005). He used data from case studies conducted in a project on management practices at Russian enterprises, which included questionnaires filled out by the heads of personnel departments of the companies studied. He analysed the responses of the personnel managers taking into account characteristics of the enterprises shown in the qualitative and quantitative data obtained in case studies.

Biziukov comes to the conclusion that personnel management functions at the firms represented 'a management periphery,' i. e., the personnel departments played only an insignificant role in decision-making; important decisions on personnel were taken either by line management or by higher management. The primary function fulfilled by the personnel departments is the registration function; to fill out employees' personal cards and labour books, and register personnel changes. The second function is personnel recruitment: the personnel departments receive information about personnel needs from the organisational units and then

create the initial list of candidates. Biziukov emphasizes that personnel departments only ruled out obviously unsuitable candidates (e.g. if they did not have the necessary formal qualification or had previous convictions). Selection of employees for the vacant positions was performed by the heads of the units, where they would be employed.

Dyrin studied personnel management at 89 industrial enterprises in the Tatarstan region of Russia; this research included some automotive firms in the region and a detailed case study of the Russian automobile manufacturer KAMAZ (Dyrin, 2006). He concluded that personnel management functions at Russian firms changed compared to the socialist period. However, the speed of this development did not correspond to the speed of other changes taking place. According to him, personnel departments existed at only 60% of the enterprises that he studied. At 23% of firms the personnel functions were fulfilled by the head of the firm and at 17% – by other managers (Dyrin, 2006: 113). He found that personnel departments existed at 92% of the enterprises created before the 1990s and at only 35.3% of firms founded in the post-socialist period (ibid.).

Personnel departments fulfilling the functions related to strategic personnel management (such as calculation of the need for personnel training, organisation of performance evaluation systems, and calculation of the workforce costs) were rather exceptional. Dyrin concludes that the activities of personnel departments had a clear executing character. Despite the limited number of tasks, the ratio of personnel department employees to the total number of employees in the company amounted to 1:227 on the average (Dyrin, 2006: 113).

In summary, the personnel departments at Russian enterprises did not begin to play a significant role in decision-making on personnel-related issues with the transition to a market economy. As under the planned economy, personnel management functions are mainly fulfilled by department heads and line management.

### **3 Particular characteristics of HR conditions in Russia**

Three particularities will be briefly discussed in the following: (1) the dismal state of health of the Russian population and the demographic situation, (2) the high proportion of female employees on the production shop floor even of plants in heavy metal industries, and (3) the state of the vocational training system after the transition period.

### 3.1 Health situation and demographic development

The transitional period in Russia had a strong negative impact on public health and demographic development, which is widely discussed in the literature. The country's population shrank by over 6 mln people from 148.3 mln at the end of 1990 to 141.9 mln by the end of 2009 (see table 1). Researchers refer to the contemporary demographic situation in Russia as 'depopulation' (e.g. Soboleva, 2007).

*Table 1: Components of total population size changes (thousand persons)*

Years	Population, as of 1st January	Annual change			Population as of 31st December	Total annual increase, per cent
		Total increase	Natural increase	Net migration		
1990	147665.1	608.6	333.6	275.0	148273.7	0.41
2000	146890.1	-586.5	-949.1	362.6	146303.6	-0.40
2009	141904.0	10.5	-248.9	259.4	141914.5	0.01

Source: The Demographic Yearbook of Russia (2010, table 1.4, p. 26)

When looking at the life expectancy of the population, a particularly dramatic development can be observed. Russian women live longer than men: The life expectancy at birth for men and women differs by almost twelve years (see table 2).

*Table 2: Life expectancy at birth (years)*

Years	Males and females	Males	Females
1990	69.19	63.73	74.30
1995	64.52	58.12	71.59
2000	65.34	59.03	72.26
2005	65.30	58.87	72.39
2009	68.67	62.77	74.67

Source: The Demographic Yearbook of Russia (2010, table 2.9, p. 101)

The life expectancy dropped by almost five years after the start of the market reforms from 69.19 years in 1990 to 64.52 years in 1995. It had been particularly low for men, whose average life expectancy did not reach their official retirement age (60 years old for men) until 2006. After 2005, the life expectancy grew for both men and women. For men, it reached 62.77 years, which was still almost a year less than the figure of 1990. For women, it reached 74.67 years and exceeded the figure of 1990.

The international comparison of life expectancy at birth shows that people in Russia live a much shorter life than in Germany (see table 3).

*Table 3: Life expectancy in Russia and the BRICs 2009*

<i>Country</i>	<i>Year</i>	<i>Life expectancy at age 0</i>	
		<i>Males</i>	<i>Females</i>
Russia	2009	62.8	74.7
India	2002-2006	62.6	64.2
China	2001	69.8	72.7
Brazil	2007	68.8	76.4
Germany	2008	77.6	82.7

Source: The Demographic Yearbook of Russia (2010, table 9, pp. 520-522)

A comparison to other BRIC countries once again highlights the difference between males and females in Russia in this regard. The life expectancy of women in Russia is similar to that in China and Brazil and is much higher than in India. Russian men live 6-7 years shorter than men in China and Brazil and only slightly longer than in India. The difference of life expectancy among women between Russia and India, in contrast, is more than ten years.

High mortality among able-bodied men is considered the greatest problem of Russia's demographic development (Andreev 2001; Soboleva 2007: 95). The most frequent cause of mortality among both men and women is diseases of the circulatory system: 782.4 deaths per 100,000 people for men and 817 for women in 2009 (see The Demographic Yearbook of Russia 2010, table 6.8, pp. 289-290). However, the second most frequent cause of mortality among men is deaths due to external factors. 263.7 deaths per 100,000 males were due to external factors in 2009; this number was only 67.5 for women. Suicides are the most frequent cause of mortality in the group of external causes in 2009 (see table 4).

The table highlights the extraordinarily high number of men in Russia having had tragic or violent deaths. The five most frequent causes of mortality (suicides, injuries with undetermined intent, transport accidents, alcohol poisonings, and murders) accounted for deaths of over 115,000 men in 2009. High alcohol consumption remains a major problem for the Russian population and for men in particular. According to the Russian Federal State Statistics Service, 50,540 deaths among men and 18,119 deaths among women in 2009 can be attributed to alcohol (Rosstat, 2010: 279). Such numbers impel one to view alcohol abuse as the major cause of high mortality among Russian men. However, alcohol consumption should rather be viewed as one of the attributes of a life style preferred by Russian men.

Table 4: Deaths of population at working age by external causes in 2009

<i>Causes of mortality</i>		<i>Males</i>	<i>Females</i>
Total mortality due to all external causes		173,089	51,487
of them from:	Suicides	31,071	6,499
	Event of undetermined intent <sup>1</sup>	29,851	8,687
	Transport accidents	22,053	8,054
	Occasional alcohol poisonings	16,405	4,932
	Homicides	16,029	5,342
	Accidental drowning	8,315	1,507
	Accidental pedestrian	7,386	2,828
	Exposure to smoke, fire and flames	6,631	2,777
	Exposure to electric current, radiation and extreme ambient air temperature and pressure	938	100

Source: The Demographic Yearbook of Russia (2010, table 6.1, pp. 224-229)

According to Andreev, unhealthy life style of Russian men also includes other characteristics, such as smoking and poor attention to one's health (Andreev, 2001). Russian men seek doctor's advice more seldom than Russian women and tend to significantly overestimate their health. This leads to combinations of factors, e.g. injuries are more likely among people abusing alcohol and stress is more harmful for people who do not pay attention to their own health. Andreev argues that such behavioral patterns are due to the Russian men's attempt to comply with the high masculinity in social expectations towards men in Russian society.

The deteriorating human potential in Russia is analysed mostly in the studies conducted on the macro-level of the state and separate regions. There is a gap in the research linking the public health and demographic situation with the personnel management on the level of an enterprise.

### **3.2 Female workers in automobile factories**

The Soviet Union strongly supported the idea of equality among men and women regarding production jobs. Many women worked even in physically demanding industrial jobs at the socialist enterprises. Mandel states that the proportion of women in the industrial work force fell after the beginning of the transition in Russia from 48% to 38% but it still amounted to 45% of the workforce in the auto and farm-machine sector (Mandel,

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1 The English translation given in the book was quoted; however, a more precise translation would be "injury with an undetermined intent"

2004: 44). He underlines the fact that women in this sector were mostly employed at unskilled, low-paying, and unhealthy jobs, and management was overwhelmingly male.

According to the author's own research<sup>2</sup>, the share of women on the shop floor was high at all three automotive enterprises she studied. The share of women was about 90% in the assembly shop and about 50% – in the welding shop at the Russian OEM; about 50% of all employees were women at the Russian supplier; the share of women in production amounted to about 40% at the Western OEM. It should be noted that there are legal restrictions on lifting heavy weights for women in Russia, which limit the range of production jobs, where women can be employed. In case of the Western OEM, there were more women willing to get a job than vacant positions open for them.

Among the reasons for the high share of women, the managers named low pay, problems with alcoholism and hard working conditions for men in general. While two of the enterprises attempted to attract more men, the supplier had purposefully increased the share of women, who were then trained in the company. The management at that supplier stated that women had a more responsible attitude towards their jobs and had fewer problems with absenteeism.

Interestingly, the high proportion of female workers in workplaces traditionally dominated by men in Western countries has not been a subject of research or discussion in the contemporary Russian literature. There are studies that point at differences between men's and women's attitudes to work. Zhidkova conducted an in-depth study on this topic (Zhidkova, 2007). She analysed the particularities of work practices in post-soviet textile industry, a traditionally female branch. She argues that the 'female' enterprises were characterised by high stability of work practices and labour relations. Workforce fluctuation was low, female workers were loyal, responsible, and disciplined, and problems with alcohol or violation of technological requirements were extremely rare. Women liked the stability of work content and stable working hours; they valued good psychological climate and social justice and were not competitive at work. Men had a privileged position at such enterprises and were paid higher than women even for similar jobs. According to Zhidkova, a traditional or 'paternalistic' management style prevailed: workers played a merely executing role and the management offered some social benefits to the staff. Thus, 'female'

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2 This research has been carried out in the context of the author's dissertation on Transfer of New Quality Management Concepts from Germany to Russia: Institutional Preconditions and Patterns of Change on the Organisational Level. The publication is planned for 2012.

enterprises in Zhidkova's study still adhered to the socialist work practices and labour relations; the predominantly female workforce led to more stability but, at the same time, also inertia of these enterprises.

With the exception of the author's own study, the literature does not discuss hiring and retraining female workers as a strategy aimed at coping with the shortage of the male workers.

### **3.3 The state of the vocational training system**

There are three major types of educational institutions in Russia. Vocational schools ('PTU' or 'litsei') provide elementary vocational training; in order to enter a vocational school young people need a general basic education certificate which they obtain after 9 years of schooling. Professional or technical colleges<sup>3</sup> ('SSUZ' or 'tekhnikum') provide specialized education. It is possible to enter a college after 9 or 11 years of schooling, however the length of the studies will depend on the years of schooling and can last from 2 to 4 years. After finishing a college, one can continue education at a university. Some universities acknowledge the education received in colleges and shorten the study time for the graduates of these schools. In such case, one starts the university courses from the second or third university year. Thus, it remains possible to opt for an academic education after either a vocational school or a professional resp. technical college.

The system of vocational training in Russia has not changed significantly since the Soviet period in terms of the list of qualifications and content of the training. However, it has strongly deteriorated in terms of quality of training: the teaching personnel are old and the training equipment is outdated. Gimpelson explains that the financing of elementary vocational schools significantly shrank during the transitional years and the enterprises could not hire their graduates due to the industrial crisis (Gimpelson, 2010). The link between vocational schools and enterprises, at which the students were obtaining firm-specific skills under a planned economy, was also broken.

The number of vocational schools has steadily decreased during the years following the transition to a market economy: it went down from 4328 in 1990 to 2658 in 2009 (Rossiyskiy statisticheskiy ezhegodnik 2010, table

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3 The designation as a "college" may easily lead to misunderstandings. In this case, we are dealing with secondary vocational schools and not with higher education institutions for which the term is generally used.

7.30). The number of graduates from these schools went down too from 1,272,000 in 1990 to 538,000 in 2009 (see table 5).

*Table 5: Graduates from different school types in Russia, 1990–2009 (thousand people)*

	1990	1995	2000	2005	2009
Graduates from secondary schools (9 years of schooling)	1,894	1,916	2,200	1,944	1,234
Graduates from high schools (11 years of schooling)	1,035	1,045	1,458	1,466	887
Graduates from primary vocational schools	1,272	841	763	703	538
Graduates from professional colleges	637	474	579	684	631
Graduates from higher education institutions	401	403	635	1,152	1,442

Source: Rossiyskiy statisticheskiy ezhegodnik (2010, tables 7.25, 7.30, 7.45, 7.60)

Table 5 also shows that there was a dramatic drop in the numbers of secondary and high school graduates from 2005 to 2009. This can be explained by an abrupt drop in birth rate in the years, when the 2009 graduates were born. The total number of births in 1988 amounted to 1.662.029 and just four years later in 1992 it dropped by over a third to 1.068.304 (The demographic yearbook of Russia, 2010: 129).

The professional colleges remained popular among young people: the number of their graduates has remained relatively stable due, on the one hand, to the increasing demand for workers with professional college diplomas in mid- and high-tech industries (machine building and defence) (Anisimov and Kolomenskaya, 2004) and, on the other hand, to the fact that young people can use their college diploma as an intermediate step on the way to an academic education. The number of university graduates more than tripled from 1990 to 2009 from 401 thousand to 1442 thousand people. The number of university graduates has grown after the transition due to the presence of different forms of paid and long distance education and opening of private universities and branches of large state universities in the province. Young people strive for an academic education even though the fit between the fields of study and the future jobs of the graduates is poor. According to Gimpleson et al., only one half of people with an academic education had a job corresponding to their field of study<sup>4</sup>

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4 The authors note that if a strict definition of field of study is used, this indicator amounts to only one third of graduates.

and university graduates are often overqualified for the jobs that they get (Gimpelson et al., 2009). Such mismatch also applies to the professional college graduates.

The popularity of higher education contributes to the low demand for vocational training and for production jobs. According to Gimpelson, there is 'a negative selection' to elementary vocational schools in contemporary Russia, when mostly children from socially disadvantaged families go to these schools. This negative selection led to the further devaluation of the elementary vocational certificates (Gimpelson, 2010: 13).

According to Dobyndo, the General Director of automobile manufacturer Izh-Avto that is located in Izhevsk, Udmurtia republic, the number of graduates of vocational schools in this republic has fallen drastically since the 1990s. The need of the regional labour market for graduates of vocational schools, professional colleges, and universities is reflected by the ratio of 5:1:1; in reality, these shares are reflected by the proportion 1:2:4 (Dobyndo, 2009). The number of vocational school graduates with industrial qualifications in the region fell from about 1000 people in 1990 to 280 in 2007 (Dobyndo, 2009). Dobyndo mentions two reasons for the shortage of qualified workers that are common for all industries: the low prestige of industrial occupations in Russia and the demographical situation. Besides, he argues that qualified and experienced employees quit their jobs at Izh-Avto in order to work for car dealers or in car service. The car sale and service firms offer higher salaries and easier working conditions and do not demand the discipline of a production line.

## **4 Remuneration system**

### **4.1 Unilateral change of remuneration systems by employers**

Remuneration systems at Russian industrial enterprises have been a subject of lively debate and numerous publications since the beginning of the country's transition to a market economy. Most of the authors agree that a specific 'Russian system of remuneration has evolved in the country: it has some characteristics that do not exist either in other post-socialist countries or in developed capitalist economies (Clarke, 1998; Gimpelson and Kapelyushnikov, 2007b). In the following, the focus is on the wage system for blue-collar workers.<sup>5</sup>

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5 There is no linguistic difference between 'wage' and 'salary' in Russian; both of them are mostly referred to as 'earned pay' ('zarabotnaya plata').

During the transition period, a particular characteristic had developed: The domination of an extremely high changeability of wage levels with relative stability of employment. No rapid reduction of employment at privatized enterprises took place in Russia in the early 1990s; instead, employment was reduced gradually throughout the 1990s–first half of the 2000s. This relative stability of employment was achieved through changeability of wages. Enterprises frequently *unilaterally* change the criteria for their employees' wages, they can also cut the wages and salaries or delay the payments. Reduction of wages may be followed by an increase, when the enterprise's situation improves, which, however, remains up to the discretion of management. The change of conditions for remuneration is not negotiated with the employees. Employees are forced to accept the new conditions or quit the jobs; in some cases they may also be required to sign a corresponding paper of consent. Such unilateral change applies to both white and blue-collar employees.

The unilateral change of conditions for remuneration by the management is referred to as 'flexibility' in the Russian scholarly debate (see, e.g. Gimpelson and Kapelyushnikov 2007b). This, however, does not reflect the actual arbitrariness and dramatic consequences for employees of such an approach.

One of the most thorough studies on wage systems in the Russian economy was carried out by Gimpelson and Kapelyushnikov (*ibid.*). They combined macroeconomic data with surveys among managers in order to trace the evolution of the payment systems in the public and private sectors. Gimpelson and Kapelyushnikov analysed the changes of real wages at medium and large enterprises of all branches of Russia's industry in 1991–2006 on the basis of data from the "Russian Longitudinal Monitoring Survey"<sup>6</sup>. The authors argued that Russian enterprises adjusted to the fluctuations in demand by means of changing wages. The employees were not laid off, but their wages were reacting to the economic situation of the employer (see figure 1).

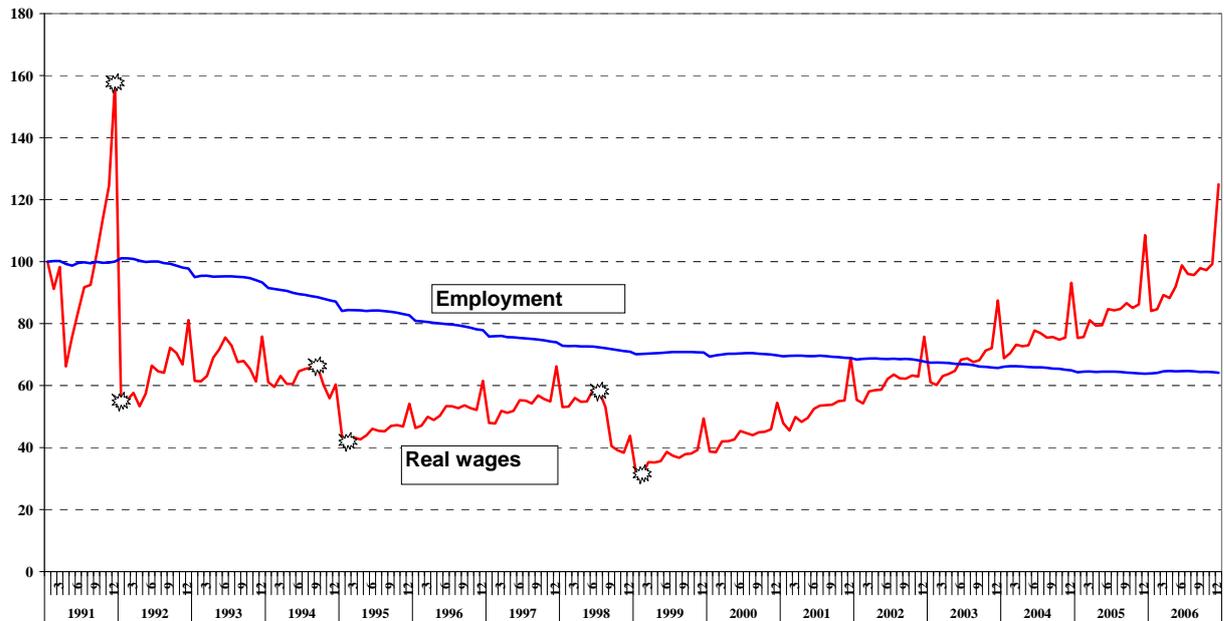
The unilateral change of wages by employers was a subject of discussion in the 1990s and remained a subject of research in the 2000s. However, the practices used by employers changed. In the 1990s, i. e. the stage that Gimpelson and Kapelyushnikov refer to as 'transformational recession', the

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6 The Russian Longitudinal Monitoring Survey (RLMS) is a household-based survey designed to measure the effects of Russian reforms on the economic well-being of households and individuals. It has been conducted since 1992 by the Research Center Demoscope with the Sociology Institute of the Russian Academy of Sciences and the University of North Carolina in Chapel Hill. About 4500 households, over 12 thousand people in 160 localities were surveyed in the 14 waves of the research.

major practice applied by employers was to delay the payment of wages and salaries (wage and salary arrears); other practices included temporary lay-offs and only partial compensation of inflation in the wages (Gerber, 2006; Gimpelson and Kapelyushnikov, 2007b: 61).

*Figure 1: Dynamics of employment and real wages at medium and large enterprises in 1991–2006 (January 1991 =100%)*



Source: Gimpelson and Kapelyushnikov (2007b: 124)

The wage arrears, i.e. delays in paying out the wages and salaries, peaked in 1998, when employers were saving 15–20% of the total ‘contract’ costs of the labour force (Gimpelson and Kapelyushnikov, 2007b: 61). Gimpelson and Kapelyushnikov conclude that wages in the 1990s started to vary depending on the economic situation of the enterprise. They summarize:

“As a matter of fact, this is a specific scheme of employees’ participation in the firm’s losses as opposed to the schemes of employees’ participation in profits.” (Gimpelson and Kapelyushnikov 2007b: 58)

The authors point out that the use of such forms of unilateral change of remuneration was only possible due to the absence of sanctions to employers from the state and trade unions and the low mobility of labour force. The wage arrears have decreased throughout the 2000s but reappeared in the financial crisis in 2008, when delays in payment started to grow once again (Shcheglov and Sergeev 2008). The topic of the unilateral change of wages remained relevant throughout the first decade of the present century.

## 4.2 Determination of the base pay

Under the planned economy, the use of the Soviet Qualification Handbook for Workers and the Qualification Handbook for Managers', Specialists', and Employees' Positions (white-collar employees) was obligatory (Gimpelson and Kapelyushnikov, 2007b). The Qualification Handbook describes both the typical tasks within a qualification and the skills and competencies that an individual must possess in order to be able to perform them (see more on the Qualification Handbook in section 5.2.). The Qualification Handbook for Workers was applied by the elementary vocational schools and professional colleges for defining training contents and certificates. At the same time, enterprises used the descriptions of jobs and typical tasks within them from the Qualification Handbook for classifying and rating the working places. When a worker is transferred to a workplace requiring a higher competence level and after gaining some work experience, his qualification grade can be raised. The state used to set the wage rates corresponding to the level of qualification.

Since 1992, the application of Qualification Handbooks no longer was mandatory for private enterprises (Gontmacher, 2007). Nevertheless, many enterprises continued to adhere to the Qualification Handbook for Workers in the 1990s and still do up until today (Vedeneeva, 1995; Donova, 2005; Gontmacher, 2007; Gimpelson and Kapelyushnikov, 2007b). The author in her own research found that the Qualification Handbook was still applied at two studied Russian-owned automotive enterprises; however, one of them planned to develop a more simple and up-to-date alternative classification of qualification.

The available research provides little details on the approaches to wage differentiation that were in use by industrial enterprises in the 2000s. Donova<sup>7</sup> states that less than one third of enterprises she had studied stopped using the traditional system of wage differentiation (Donova, 2005). In 24 out of 50 case studies wage rate schemes were applied. Seven enterprises used the Qualification Handbook unmodified; 11 firms used them 'as guidelines' (Donova, 2005: 119). According to Kapelyushnikov, different versions of the Qualification Handbook for Workers were applied at 45% of enterprises of his sample; 12% of them still used the Soviet Qualification Handbook and 29% adjusted the Qualification Handbook to the enterprise's characteristics (Kapelyushnikov 2007: 126–127). In the case of

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7 The study by Donova is based on case studies of over 50 industrial enterprises (representing different branches) from seven Russian regions. Both qualitative and quantitative data on enterprises was collected. The research project was conducted during 2002-2006.

white-collar employees, 34% of enterprises used the Qualification Handbook, 18% of them the unmodified Soviet one (Kapelyushnikov, 2007: 126-127). Almost every second enterprise developed the rates for wages and salaries independently.

#### **4.2.1 Reduction of fixed pay**

After the transition, Russian enterprises increased the share of variable pay (bonuses or additional payments). This practice of unilateral change of wages gave rise to discussions about the size of the 'guaranteed proportion' of pay in Russian enterprises. Sobolev provides data showing that the 'guaranteed share' of pay at Russian firms decreased drastically during the 1990s. It amounted to 15-30% of the total pay on the average in his sample of firms (Sobolev, 2008: 101). He discusses this reduction of the guaranteed proportion of pay as a manifestation of 'superflexible pay policy' at Russian firms.

Donova states that the fixed proportion of pay at the companies she studied amounted to 60% of total pay (Donova, 2005: 130). She notes that the managers tend to think that the higher the 'non-guaranteed share of pay', the better it was for the enterprise. Gimpelson and Kapelyushnikov found that the guaranteed share of pay did not exceed 70-75% (Gimpelson and Kapelyushnikov, 2007a: 76). The data on the fixed share of pay differ, but the researchers agree that there has been a tendency towards its reduction in the 2000s. Thus, Russian enterprises attempted to reduce the guaranteed proportion of pay even though they could freely change and adjust wage rate schemes at the company-level. This way, they could change the size of wages, without having to revise the wage system that they themselves had adopted.

A reduction of the fixed proportion of pay makes it easier for the management to use 'grey', 'shadow' or 'envelope' salary payments. Sobolev quotes survey data that the share of the 'shadow' salary payments in Russia in 2005 amounted to 32% (Sobolev, 2008: 133).

#### **4.3 Performance-based pay**

A high variable proportion of pay has remained one of the most widely debated issues on remuneration systems in the 2000s. As Andreeva has shown, changes in payment systems were one of the most frequently used HR measures during organisational change (Andreeva, 2006). Two methods for individualising the wages are discussed below: introducing personnel appraisal systems and the use of the coefficient of labour participation (KTU) which is inherited from the Soviet system.

### 4.3.1 Personnel Appraisal Systems

Personnel appraisal systems are based upon criteria that allow evaluating the actual employee's performance as well as comparing performance of different employees. Gurkov et al. conducted a survey of personnel managers at Russian firms using the international CRANET questionnaire applied in 32 countries (Gurkov et al., 2009). According to them, only 40% of Russian firms apply formalized personnel assessment systems for workers and 21% – for white collar employees (see table 6).

This use of formalized appraisal systems by Russian enterprises is the lowest among all the countries that have participated in the survey. The authors emphasize that such a low rate of application strengthens the role of line management in decisions on remuneration. According to them, in 46% of the companies, these decisions are taken solely by line management, in 20% of the cases predominantly by line management, in 22% predominantly by the personnel department and in only 11% solely by the personnel department (Gurkov et al. 2009: 139).

*Table 6: Application of personnel appraisal systems at Russian firms*

<i>Employee category</i>	<i>Share of studied firms (%)</i>
Managers	38
Specialists (highly educated professionals)	43
White collar employees	21
Workers	40

Source: adapted from Gurkov et al. (2009: 145)

Bizyukov (Bizyukov 2005) observed that the companies he studied did hardly use the personnel appraisals for the assessment of performance competences of employees:

“The routine evaluation of an employee [...] is made mainly on the basis of the data on the employee's discipline (misconduct, penalties, incentives etc.), on fulfillment of work tasks that is registered in the wages, and on the basis of informal relations (relations with the colleagues, the management etc.). This system can hardly be considered sufficient in order to objectively evaluate an employee's performance, to say nothing of obtaining a general evaluation of the use of work force at the enterprise as a whole.” (Bizyukov, 2005: 48)

Bizyukov also explains that there were no centrally set rules or standards with regard to discipline in most of the cases. Instead, there was an informal agreement between the employees and line management on the acceptable behaviour. Employees' loyalty to the line managers was very important and had a strong impact on the wages. Bizyukov summarizes:

“an employee’s evaluation has an informal character and is mainly carried out by the immediate supervisor of an employee. There exists no generalized and comparable information about the current activities of employees in different units, i.e. about the use of the work force at an enterprise – it is scattered among the lower rank managers.” (Bizyukov, 2005: 48)

Bizyukov sees the absence of a formalized personnel appraisal and the poor enforcement of labour law at the enterprises as the determinant factor of a widely spread attitude towards human resources as being somewhat less important than material resources. He also found frequent cases of large amounts of underpaid overtime work, and redundancy of labour and qualification that was not costly for an enterprise. Bizyukov argues that this discourages the enterprises from viewing their personnel as a resource, which should be accounted for and planned at least as well, as in the case of other resources.

Donova found that at about half of the enterprises she studied, the line management disposed of a wage fund that they distributed on the shop floor (Donova 2005). However, the incentive systems were characterized by high discretion of line managers in decisions on bonuses. According to employees’ survey conducted as part of the case studies, only 14.1% of workers thought that their wages depended on their own behaviour at work (see the table 7).

*Table 7: “On whom does the size of your wages depend on mostly?”*

<i>Possible answers</i>	<i>% of respondents</i>
Management of the enterprise	56.2
Shop or unit management	20.4
Production supervisor or brigade (team) leader	5.5
Me myself	14.1
Hard to answer	3.7

Source: Donova (2005: 127)

About 80% of employees viewed their wages as dependent on the managers’ will. Donova emphasizes two characteristics of new bonus systems introduced at the enterprises. Firstly, these systems did not differentiate workers on the basis of their performance. Secondly, they were in most cases linked to fulfillment of output plans by the enterprise or by the shop, i.e. not directly linked to an employee’s productivity (Donova, 2005). She concludes that the new bonus systems ultimately contributed to demotivation of employees.

Anisimova and Sobolev also argue that there is a tendency towards a growing degree of freedom of management in determining on salaries. On

the basis of the results of a large employee survey conducted in 2002, they argue:

“Employers ascribe a high significance to the personal traits of an employee that cannot be quantified (loyalty to the firm, avoiding conflicts, ability to be likable, possessing useful connections etc.). Managers’ subjectivity leads to the lack of understanding of pay criteria by a considerable share of employees. [...] Only 7% of employed in the private sector [...] consider that the contract conditions are decisive for determination of their pay.” (Anisimova and Sobolev, 2010: 32–33).

The description of the payment system applied at one of the largest Russian airline Sibir illustrates the lack of clarity and transparency of payment systems for employees, which was due to additional payments and bonuses (Posadskov, 2002). The payment system for cabin crews at Sibir consisted of a little ‘guaranteed’ monthly salary, a kilometer-rate share, ‘additional payments’ (nadbavki) and bonuses (premi). Additional payments and bonuses were calculated on the basis of dozens of coefficients and various performance indicators, which made the remuneration system intransparent and incomprehensible for employees.

#### **4.3.2 The Coefficient of Labour Participation (KTU)**

Many Russian industrial enterprises use the socialist coefficient of labour participation (KTU)<sup>8</sup> as a tool for dividing up the total payment or the bonuses. The KTU represents a coefficient ascribed to each worker within a team (or brigade) on a monthly basis. The wages are paid to the whole brigade and then distributed between its members (except for individual payments, such as e.g. overtime). It typically varies between 0 and 2 with 1 as the basic. If a worker performs well, she is assigned a KTU of 1; if a worker underperforms then his KTU varies between 0 and 1 and if one overperforms – then between 1 and 2. In order for some workers to earn more, others have to lose.

According to Clarke, the KTU coefficient was introduced in the late 1970s, when workers were paid a piece-rate for a whole team or ‘brigade’ (Clarke, 2007). The wages of individual ‘brigade’ members were adjusted according to their ‘coefficient of labour participation’:

“The KTU for each member of the brigade was normally determined by the elected brigadier, sometimes endorsed by a meeting of the brigade, but in practice wages were almost always divided equally within the brigade.” (Clarke, 2007: 42)

The KTU was not effective as a system of remuneration according to individual results and responsibility, but it helped to ensure collective responsibility.

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8 In Russian: Koeffitsient trudovogo uchastiya or KTU

The Coefficient of Labour Participation was applied at most Russian industrial enterprises studied by Donova (Donova, 2005). However, the enterprises deviated from the original usage of KTU. The coefficient was applied to a worker by the shop manager with the assistance of the production supervisor. It allowed both to reward the best ones and to punish the worst ones. Donova argues that the KTU were used for sanctions, rather than incentives. The payments, which they helped to allocate, were understood as a part of the earnings that could be taken back by the management any time. Posadskov comes to the same conclusion after studying the case of Sibir airline. There, multiple KTUs were used for allocating additional payments. There were some 31 KTUs for the members of cabin crews and 83 KTUs for the technical employees (Posadskov, 2002).

Discussing the reasons for the popularity of elaborate systems of bonuses in Russia, Donova argues that the elaborate systems of bonuses at the production companies come hand in hand with poor work organisation. The companies do not attempt to improve work organisation, but instead experiment with employees' remuneration systems, which are supposed to compensate the deficits of the organisation of work.

The Soviet enterprises used to pay an annual bonus, called the '13th salary'. There is a lack of evidence in the existing research, whether the companies have still kept it until today and to what extent other kinds of bonuses are distributed.

In summary, the research shows that the bonuses and additional payments at Russian firms were in most cases distributed without clear objective criteria transparent for employees. Management had a high discretion in decisions on the variable share of pay, which gave the remuneration systems a punitive character.

### **4.3.3 Indirect wages**

An additional element of total wages consists of payments by the companies for the employees' health insurance, meals, transport expenses etc. which is called a social package ('sotsial'nyy paket'). Bykov and Sergeeva report that the share of costs of the social package in the total personnel costs for oil and gas companies in Russia amounts to 25% (Bykov and Sergeeva 2010: 43-44). About 90% of the oil and gas companies studied cover their employees' health insurance; 87% of the companies compensate the costs of mobile phone communication; 64% fully or partially compensate the meals; over 70% cover the expenses for sanatorium and spa treatment; about 40% provide help with buying housing (ibid.).

#### **4.3.4 Non-monetary incentives**

Bykov and Sergeeva surveyed 1200 employees of the oil and gas industry in the Komi republic in order to find out, which non-monetary incentives they valued in particular<sup>9</sup>. The opportunities for career development were considered the most important by employees, who would like to obtain “information from the management about the possible options for career development and clear criteria for evaluation of their success at different stages on this way” (Bykov and Sergeeva, 2010: 44). Employees also valued opportunities for competence development. The most popular subjects for further training were production technology, law, business administration, personnel management, and business communications. The survey also found that employees perceived a strong need for training line managers ‘contemporary personnel management methods’ and a need to be constantly informed about the enterprise’s tasks and problems. Besides, employees wished a noticeable and fast reaction from the management to the employees’ work achievements, rather than ‘postponing the rewards to some ceremonial receptions’.

#### **4.3.5 Personnel appraisal and bonuses at foreign firms in Russia**

Shekshnia distinguishes between two types of foreign subsidiaries in Russia: an ‘imported model’, copying the HRM practices of the headquarters and a ‘domestic model’, which are closer to Russian-owned firms in the way they manage personnel. He found that the ‘imported model’ subsidiaries use formal evaluation schemes to determine pay for the white collar employees, while the ‘domestic model’ firms use ‘informal evaluation’ (Shekshnia, 1998). Fey et al. found that about 75% of the foreign firms studied used a formal appraisal system (Fey, Engström and Björkman 1998: 10). 23% of the firms applied ‘up-and-down evaluation system’ – whereby not only superiors evaluated their employees but also a reciprocal process took place (ibid.).

Fey et al. found that about 80% of the firms had some kind of bonus system (Fey, Engström and Björkman 1998: 11). The size and type of bonus differed significantly among companies and across departments, however in most cases bonuses varied between 20 and 40% of total salary. The most common type of bonus was the payment of a 13<sup>th</sup> month of salary if firms met their objectives. Fey et al. note that the more bonuses were linked to performance, the more effective they were.

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9 The authors do not specify the year of the survey.

In a later survey of 101 foreign firms in Russia, Fey et al. found that team-based pay systems were positively related with firm-performance, however this applied only to the remuneration of non-managerial employees (Fey and Björkman 1999). For managers, firms needed to focus more on individual responsibility and bonuses based on individual performance for achieving this effect.

Non-monetary benefits at foreign firms in Russia were similar to the ones provided by Russian firms. Studies found that most international companies provide free or subsidized lunches, medical insurance, free or subsidized vacation and company cars for managers (Shekshnia 1998; Fey, Engström and Björkman 1998). Fey et al. note that having a private health insurance was greatly valued by employees due to the poor state of the state healthcare system. More than half of the firms studied provided it usually covering all employees.

## **5 Personnel development**

### **5.1 Shortage of qualified labour in production**

In the early 1990s, a sharp decrease in industrial production took place in Russia, resulting in a significant reduction of employment at manufacturing enterprises (Breev, 2003). Young and highly qualified people were the first to leave the traditional enterprises and look for new jobs (Ryvkina and Kolennikova, 2007). This contributed to an ageing work force in the Russian manufacturing plants. Along with ageing, enterprises still had to cope with some of the personnel problems, which had been characteristic for socialist enterprises and persisted after the transition. According to Clarke, drinking and poor discipline were still present at plants; the managers had to cope with workers' late coming to work, showing up drunken, and smoking at the workplace (Clarke, 2007). However, disciplining workers was a challenge for the management due to the shortage of qualified labour. The managers tried to punish the employees, but avoid firing them. In her own research, the author found that managers at Russian automotive enterprises were facing this dilemma as well. The companies had an elaborate system of sanctions that was supposed to prevent violation of discipline, but still allow keeping the workers in the companies.

The shortage of qualified workers for manufacturing enterprises in Russia became a prominent topic in the 2000s. The research on this issue found that companies report a shortage of both qualified workers and engineers, but at the same time, report the presence of excess labour (Ryvkina and

Kolennikova, 2007). According to Ryvkina and Kolennikova, the shortage of qualified labour in the Russian industrial sector was caused by the massive wage arrears, the disorganisation of the work processes at the plants and the unwillingness of young people to work in production after completing their studies. The surveyed managers pointed at higher pay and employee training and re-training as measures that should be taken by the companies to change this situation. Gimpelson also states that enterprises complained about the shortage of qualified labour and still had excessive employees, which they were unwilling to train (Gimpelson, 2010).

## **5.2 Classification of qualifications**

One of the determinants for the outdated qualifications and skills of Russian labour is the Soviet Qualification Handbook, which, as was already mentioned, is still in use in vocational schools and technical colleges, as well as at the enterprises.

All the formal qualifications awarded to people finishing a vocational school or a technical college are defined on the basis of the Qualification Handbook. This Handbook was developed in the Soviet Union as a universal directory of all jobs in all industries. All enterprises were supposed to use the job and qualification descriptions that it provides.

The Qualification Handbook for workers' qualifications consists of 72 volumes; each of them lists qualifications for a product group or an industry. Volume 19, for example, is dedicated to electro-technical competences, volume 20 – to electronic, and volume 71 – to optical-mechanical competences. The qualifications for metal work are listed in volume 2, which includes foundry works, welding, and mechanical metal works, among others (Edinyy tarifno-kvalifikatsionnyy spravochnik, 2003). There is no separate volume on the automobile industry.

Most of the content of the Qualification Handbook goes back to 1985, but requirements for some industries have been slightly updated throughout the 1990s–2000s. The description of each qualification contains two sections:

- job description: a list of typical tasks and required skills
- 'must know': specialised knowledge and knowledge of work methods and instructions.

The qualifications are very narrowly formulated: each qualification describes the types of operations that a worker should perform, the type of equipment and materials he should use. The number of grades within each qualification varies between 1 and 6, in some cases 8. There are separate job descriptions and skill requirements for each grade. Whereas some of the

qualification grades can be reached by vocational school graduates, more advanced ones require a technical college diploma.

The Qualification Handbook is used by most of Russian-owned enterprises for determining required qualifications and grades, as well as for on-the-job qualification development programs. At the enterprises, the content of the actual job is supposed to be the basis for determining the qualification level and the wage rate. There is a lack of research, discussing how exactly Russian firms use the Qualification Handbooks at present.

### **5.3 Recruitment practices**

The elaborate and detailed system of qualifications contrasts with the low formalisation of personnel recruitment procedures. According to Dyrin, 70% of questioned personnel managers reported that new employees were recruited on the basis of recommendations of the employees. 17% of the respondents mentioned contacts with universities, secondary technical schools and vocational schools as a means to recruit new people (Dyrin, 2006: 100).

Biziukov states that the typical recruitment procedure for productive workers consisted of an interview with the head of a production shop, who took the decision about the employment:

“Most frequently this is a more or less detailed interview, during which the manager evaluates the professional and personal qualities of the candidate and makes decision whether he ‘fits’ or doesn’t. [...] Such selection system has a disadvantage: the head of the unit does not always have the information about all the candidates for a vacancy or has met with them even if the personnel service formed such a group [of candidates]. He employs the first, who seems fitting from the ones sent [by the personnel service] and does not consider the ones, who can come later.” (Biziukov, 2005: 43–44)

The line managers at most enterprises focused on ‘filling up the gap’ as soon as possible rather than following the selection procedure. However, at some of the enterprises studied by Biziukov the personnel departments were empowered to influence the selection process. This happened when there were some ‘centralized requirements’ towards the staff (e.g. making the staff younger or higher qualified) or when the personnel department collaborated with educational organisations.

Foreign companies, according to Fey et al., reported about ‘the two work force dilemma’ that they face, when selecting employees in Russia (Fey, Nordahl and Zätterström 1998). The employees under the age of thirty have no negative experience with a planned economy and those over forty were socialized in the old system, but are often not qualified enough. These two work forces have different expectations and are motivated by different

factors, e.g. younger employees appreciate growth opportunities and international interaction more than the older ones.

Shekshnia found that Russian affiliates of Western multinationals had changed their recruitment practices regarding managers and white-collar employees in 1998 compared to 1994 (Shekshnia 1998). Whereas in 1994 'word-of-mouth' was sufficient for recruiting, other methods were used in 1998: recruitment agencies and head-hunting, advertisements in the media, on-campus recruiting at universities. Fey et al. found that headhunting agencies was the most important method of recruitment used by over 50% of foreign firms in Russia (Fey, Engström and Björkman 1998). These firms were primarily interested in the candidates' personalities, previous work experience, and command of English, when hiring Russian managers. Skills were found to be less important than personality; foreign firms were interested in honesty, ambitiousness, hard-working, ability to learn fast, and being a team player. Previous work experience at a foreign firm was especially valued.

#### **5.4 Inhouse training**

Bizyukov states that at most of enterprises that took part in his study<sup>10</sup>, particularly at large ones, there was a well-developed system of personnel training (Bizyukov, 2005). He lists two types of training programs:

- start-up training for new employees that includes work safety and technical skills training. Bizyukov quotes two examples of machine building plants, where training for newcomers combined training 'under supervision and control from technical specialists' with 'work at a specific working place' (Bizyukov, 2005: 46)
- 'further training courses'<sup>11</sup> for blue and white collar employees. Bizyukov emphasizes that there was a high diversity of training practices for white-collar employees at the firms studied. It ranged from search for further training opportunities by the employees themselves to strict planning by the management, 'who, where, and what will be trained at' (ibid.)

Bizyukov also notes that many of the firms studied had a training program, which was supposed to help in realising the 'future development plans' of the enterprises.

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10 The project was conducted by ISITO and Warwick University in 2002-2006 and embraced 'over 50' case studies of large, medium and small Russian enterprises. The firms belonged to different industries and were situated in seven Russian regions.

11 In Russian: 'kursy povysheniya kvalifikatsii'

At small or medium enterprises with relatively simple products training programs were less developed, but still included a ‘minimum set’ of practices:

“The minimum set is training on the job and tutorship. The new worker is instructed; he is shown the main ways to work etc. This [the training] is mostly carried out by the lowest rank supervisors<sup>12</sup>; they are also responsible for finding tutors to the newcomers. [...] This kind of scheme is applied not only to workers but also to specialists [highly qualified white collar employees].” (Bizyukov, 2005: 45-46)

Frequently, employee assessments<sup>13</sup> were a part of employee development programs applied to workers to confirm the qualification grades and also to managers and white-collar staff. Bizyukov states that the ‘traditional’ assessment for white-collar staff included creating a committee and developing a procedure (interview plans, questionnaires, exams, tests, etc.). However, the results of this assessment were frequently perceived as purely formalistic. More often, management even used the assessment as an excuse to lower workers’ qualification grades by introducing more demanding criteria.

#### **5.4.1 Training at foreign companies in Russia**

Personnel development was found to be of crucial importance for foreign companies in Russia (Shekshnia 1998; Fey, Engström and Björkman 1998; Fey and Björkman 1999). According to Fey, Engström and Björkman (1998: 8) 65% of the firms studied performed a formal analysis of the competencies needed for their Russian operations. It was found to be important to design specific training programs for the Russian subsidiary. The programs applied in emerging markets were not suitable due to very diverse backgrounds of Russian employees and their generally high education. At the same time, the programs used in the Western countries did not fit either, as many Russian employees lacked understanding of basic concepts of a market economy, such as customer focus and competition. Training was a necessary means for providing them with this background.

As for managers, according to Fey, Engström and Björkman (1998: 8) 65% of firms studied sent their Russian managers to study abroad, which helped them to understand the firm’s organisational culture. Self-study and coaching were found to be useful for transferring new skills to workers. Many studies found that Russian employees were very eager to participate

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12 In Russian: ‘master’

13 Bizyukov does not give more information on the procedure of the assessment.

in training, which they regarded as a strong motivating factor (Fey, Engström and Björkman 1998; Fey, Nordahl and Zätterström 1998).

In summary, the studies show that personnel qualification and training is not organised as a part of a consistent personnel development strategy at Russian companies. There is no evidence that Russian companies define career development paths for their employees and carry out regular employee appraisal talks or use instruments to determine high potentials for prospective management careers.

## **6 Work organisation**

### **6.1 The debate on work organisation before and after the transition**

Under planned economy, work organisation at an industrial enterprise was seen as an important social aspect of production. It was subject to investigations by specialized research institutes and the state attempted to spread successful ideas and practices on an industry level.

In the 1970s, a debate on the Complex System of Production Management, Work Organisation and Wages took place in the automotive industry (Epochintsev, 1980). This system was developed at Volzhsky Automobile Works at this time (at present – AvtoVAZ). It aimed at developing and aligning work organisation and wage system, in order to achieve high quality output. The two pillars of the system were ‘liberating’ direct production from indirect functions (quality control, equipment maintenance and material supply) and the introduction of ‘collective forms of work organisation’ – i.e. group work or ‘brigade work’ (Epochintsev, 1980; Epochintsev et al., 1988). Work was organised in brigades in both direct and indirect areas. Brigades bore collective responsibility for the quality of the output: the whole brigade and not an individual worker accounted for a product defect that could appear in their process.

Work organisation at Russian enterprises came under contradictory pressures after the transition to a market economy. On the one hand, collectivistic values were substituted by individualistic values. On the other hand, market conditions started to demand higher productivity than what was regarded as acceptable under planned economy. Both of these changes took place against the background of a deterioration of the status and role of production in an enterprise. New departments were created in an enterprise – marketing, finance and sales, and they began to set the priorities for production.

The scholarly debate on work organisation after the transition concentrates on several topics. The topic that obtained most attention has to do with the weakening of the formal work procedures and the domination of informal regulations and ad hoc decisions. Studies conducted in the 1990s already point out to a wide gap between the formal procedures and the way the daily production routines operated at a socialist enterprise (Burawoy and Krotov, 1992; Alashev, 1995). This gap became stronger during the transition to a market economy. Another research topic was the transfer of management concepts from abroad and their application under Russian conditions. This research direction led to few publications up to the present date. The third research direction has to do with leadership style and behaviour and work values of managers and employees. The research tradition on workers' values had existed in the Soviet Union already, but the discussion on leadership styles gained particular popularity during the transition to a market economy.

## **6.2 Weakening of the formal rules**

The research on work organisation at Russian enterprises in the early 1990s observes an unprecedented divergence between the formal rules and actual work practices. The gap between the formal and informal rules and work practices had existed under planned economy as well. However, the Soviet publications often gave an idealized picture of a Soviet enterprise. The studies carried out during the time of the transition present a picture of weakly managed or even unpredictable production processes.

Burawoy and Krotov conducted a study of the Russian wood industry in 1990-1991, which revealed a very poor manageability of production processes (Burawoy and Krotov, 1992). However, frequent breakdowns of production equipment did not interrupt the flow of the work, as workers within a single brigade "were prepared to move from job to job and machine to machine to pick up the slack" (Burawoy and Krotov, 1992: 23). Large amounts of scrap were accumulated on the shop floor, which interfered with production flow. The 'planned amount' of scrap, i.e. planned and registered amount was 2%, whereas in reality it was about 10%. Workers had to work longer hours at the end of the month to produce enough to meet the plan targets. Daily working hours were 'flexible', i.e. workers could come later than the official shift start and leave before the official shift end, which meant that there was no contact or exchange of information between the shifts. Burawoy and Krotov summarized that control over production was exercised by workers and labelled work organisation on the shop floor as 'anarchy in production'.

Alashev took part in the research project “Transformation of management and industrial relations at Russian enterprises” conducted by Warwick University and ISITO in 1992–1993. He summarized his findings from case studies of two large industrial enterprises in Samara, one of them an automotive supplier, arguing that the relations on the shop floor represented a system of co-dependencies between workers and production supervisors based on mutual favours (Alashev 1995). Production supervisors (called ‘masters’) did not always discipline a worker for misconduct and if they did, they would not formally register this. This worker would be ‘obliged’ to the production supervisor, however. He or she was then, in return, willing to make ‘personal’ concessions to the production supervisor, which could both be production tasks (working overtime) or personal favours not related to production. According to Alashev, this system of mutual informal agreements involved not only production processes and work organisation, but also the wage systems.

### **6.3 Group work/brigade work**

The reports on group work or, in Russian, ‘brigade work’, at Russian industrial enterprises in the 1990s state that the brigade work was characterized by a high degree of self-organisation. Workers and brigade leaders themselves could decide about production tasks or about issues related to discipline. This authority, however, was not always formally registered and rather contradicted the existing formal regulations or evolved in the spaces not covered by regulations.

Burawoy and Krotov, in their case study of the wood industry, observed that brigades could autonomously decide about work organisation and even had the authority to discipline their members:

“Management deliberately undermined the positions of master [the foreman] and nachal'nik [the shop manager]. They were sacrificial lambs, punished for not maintaining discipline on the shop floor, but at the same time denied the support and resources to maintain that discipline. Rather than agents of higher management in the exercise of control over the shop floor, supervisors were forced to cede power to the brigades in the hope that peace would prevail while management got on with the task of providing the materials of production. As one chief engineer said, “We are frightened of workers. At any time they can stop work and we can do nothing.” To give more support to nachal'niki and mastera would be to risk rebellion from the shop floor.” (Burawoy and Krotov, 1992: 27)

The authors conclude that the management abdicated control over production; the management set the output plans and the brigades were to a high extent self-regulating the way how to fulfil the plan:

“Flexibility and autonomy on the shop floor are necessary when supplies are uncertain, the performance of machinery is erratic, and, most important in this case, when the technology is uneven.” (Burawoy and Krotov, 1992: 27)

They argue that the high uncertainties of an industrial enterprise in Russia make it necessary to leave some space for informal regulation on the shop floor, which they call 'flexibility' and 'autonomy'. The meaning of the terms 'flexibility' and 'autonomy' used by Burawoy and Krotov, however, differs from their usage in the Western discussion on work organisation. Whereas in the West the flexibility on the shop takes place within the formal frame set by the management, at the Russian enterprise it contradicted and weakened the formal regulations.

Plotnikova dealt with brigade work in her analysis of employees' participation in decision-making (Plotnikova, 2005). She used data from 55 case studies of Russian enterprises conducted in 2002–2006 in the research project of ISITO and Warwick University. She emphasizes that, at the enterprises where brigade work was applied, workers in a brigade bore collective responsibility for the fulfilling the production tasks. This responsibility was linked to the brigade's bonus. If one brigade member has not fulfilled a task or did not fill out the documents correctly, the whole brigade was deprived of a part of a bonus or a whole bonus.

According to Plotnikova, employees had very limited possibilities to take decisions; their autonomy was only possible 'within a given production task'. Still, workers had a say regarding the time given for the production tasks and about the design of the process of performing the tasks. Plotnikova states that in 'non-standard' situations, workers within a brigade would search for solutions themselves; the managers would not interfere into the process of 'solving a production problem' and only 'control the results'. Thus, the way production tasks were formulated left some space for brigades to decide upon the way of performing them.

### **6.3.1 Case study of the automotive industry**

Work organisation at western and Russian automotive firms in Russia was studied by the author at the end of the first decade of the 2000s. She analysed how firms changed work organisation during the process of implementation of new quality management concepts. Three qualitative case studies were conducted in Russia in 2006–2008: a Western OEM (a greenfield plant), a Russian OEM and a Russian supplier.

Work organisation at the Western OEM was based upon the company-specific production- and quality management systems that were transferred to Russia from company's headquarters. There were 8 people in a brigade on the average and they were responsible for the production process. Brigades had leaders, 'brigadirs', who were appointed by the management; their major responsibility was controlling the quality. They acted as intermediaries between the brigade members and line

management and informed the supervisor in case of a process disturbance. Brigade leaders also allocated operations among the brigade members. The brigades had a brigade zone for group discussions; the time allotted for this was 20 minutes a week. The responsibility for quality defects was not ascribed to a brigade as a whole but was retraced to single workers. Still, brigades were integrated into the plant's goal-setting for quality. The brigades with the least number of defects received some non-monetary reward, e.g. praise on 'the honour-board'.

At the Russian OEM studied by the author, a company-specific production system was developed at the time of the study and new quality management practices were introduced. The brigade work was not changed significantly in the course of the changes. Workers were organised in brigades of 5-6 people, headed by a 'brigadier'. Brigade leaders did not work on the line and only substituted an absent employee. Brigade leaders collected information about defects for the production supervisor. Besides they were responsible for reacting to a signal about a defect given by a worker on the line by pulling the special "andon" cord. Thus, brigades became more strongly involved into quality assurance than in the past, but the legacies of the planned economy were still very dominant. Sometimes workers were not willing to report defects and there was a confrontation between the production workers and the quality assurance department about acknowledging the defects. Workers tried to conceal their mistakes in order to keep their bonus, linked to their performance quality, as this bonus constituted a large part of their (low) earnings.

At the Russian automotive supplier, a new quality management system had been introduced, which allowed it to start supplying western OEMs. The introduction of the new quality management system at this plant was not accompanied by the change of the group work system. 'Brigades' functioned on the basis of the principles inherited from the planned economy. Brigades were rather large; they consisted of 20-30 people and were organised across shifts. Brigades were divided into smaller groups, 'zven'ya' on the basis of the functions carried out by workers or on the basis of shifts. Workers elected the brigade leaders ('brigadir') and 'zveno' leaders ('zven'evoi'); they had to be approved by the management. Brigade leaders were understood as the lowest management level and had disciplinary functions.

Brigades took part in the 'labour competition' ('trudovoe sorevnovanie') organised at the plant. The labour competition was supposed to improve productivity and output quality; this practice was inherited from the socialist past when it was known as 'socialist competition'. All the personnel at the plant were divided into categories for the competition; the categories embraced all hierarchical levels and areas at the plant: from

shops to individual workers and specialists. For each of the categories there was a set of evaluation criteria and four times a year all employees were evaluated. The criteria for each group included fulfilment of the output norms, no disciplinary cases and no complaints from the other units inside the plant and, if applicable, from customers. The winners of the competition were awarded by what the managers called 'symbolic' prizes. The employees at the plant, however, hardly valued the symbolic rewards. According to the managers, they lacked the inclination towards responsible and diligent work that they used to have in the past. Thus, this supplier attempted to use old practices in a new context, which they were no longer suitable for.

The author concludes that there was a great diversity of approaches to work organisation among the three firms. However, 'brigade work' at the two Russian-owned companies still grounded upon the principles inherited from the past. The Western automobile manufacturer, on the contrary, attempted to transfer its model of work organisation to its Russian subsidiary, only slightly adjusting it to the local context.

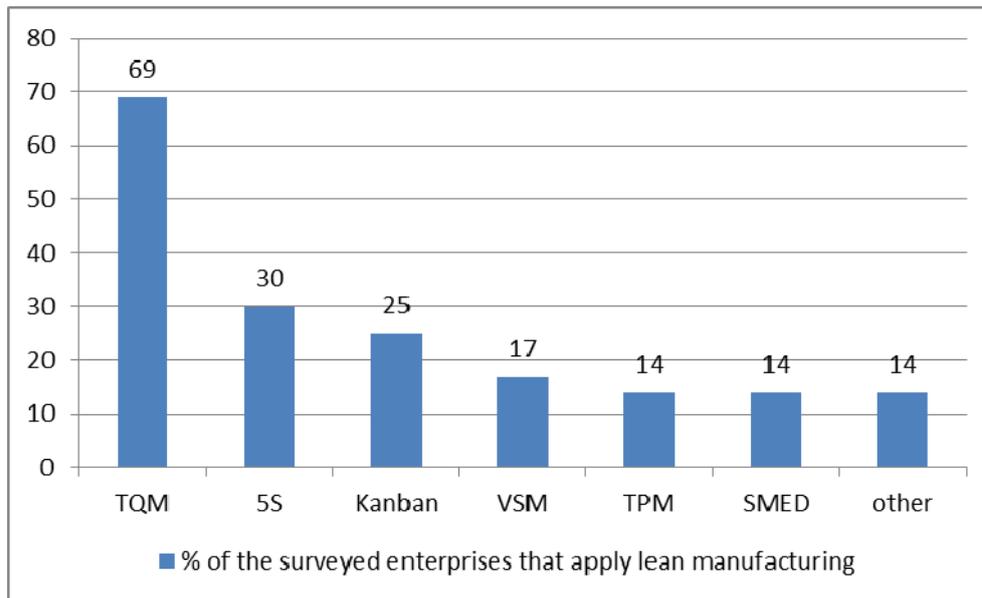
#### **6.4 Transfer of western and Japanese approaches to work organisation**

Lean production concepts and the Toyota production system have become a popular topic for management consultants and discussion at practitioners' conferences since the beginning of the 2000s. The scholarly discussion on production systems in Russia is still in its infancy.

The article by Kononova (Kononova, 2006) is the only scholarly work on the diffusion of lean manufacturing published in Russia. The author discusses the results of a survey of 732 Russian industrial enterprises. The enterprises belong to different branches of manufacturing, with the majority (288 enterprises) representing machine building. According to the survey, 32% of the enterprises introduced 'some elements' of production systems on the basis of lean manufacturing (Kononova 2006: 124). 23% of the enterprises improved their production systems on the basis of their own ideas. 45% of the enterprises did not modernize their production systems. Only 5% of all enterprises surveyed reported that they aimed at improving the organisation of production processes systematically and consistently (Kononova, 2006: 122).

The enterprises that modernized their production systems on the basis of lean manufacturing implemented a variety of tools for production and work organisation. Total Quality Management (TQM) was by far the most popular management tool among them (see figure 2). 5S was the second most popular practice implemented by the firms.

Figure 2: Lean manufacturing tools applied at Russian enterprises



Source: Kononova (2006: 124)

Kononova emphasizes that most of the enterprises that did use lean manufacturing ideas implemented only one or two tools (134 and 63 enterprises respectively) (Kononova, 2006: 125). 5% of all firms questioned introduced 3 to 6 management instruments (ibid.).

Kononova's study demonstrates that Russian manufacturing enterprises were in the nascent stage of introducing lean manufacturing methods in 2006. Only singular management tools were introduced in the context of very weak formal regulations, which was discussed above. Therefore, it is too early to argue that Russian firms do have a modern production system. One should rather state that only about 5% of the Russian firms attempted to improve organisation of production and work.

The author found in her own research that the Russian automotive firms started to transfer lean production tools and total quality management only after 2005. Implementation of new quality management concepts was a long process, which required a thorough reconsideration of personnel management practices.

## 7 Leadership styles and work values

### 7.1 Leadership styles

There is a general agreement in the studies that authoritarian leadership style is prevalent at Russian enterprises. It is viewed as a legacy of the planned economy or a cultural trait that has been formed throughout the Russian history. There is a controversy, however, regarding the acceptance of the authoritarian leadership by Russian employees and the desire of employees to become empowered. While some studies argue that Russian employees prefer to be empowered others state that they work best under an authoritarian leader. A related controversy has to do with the impact of an authoritarian leadership style on an enterprise's efficiency.

Dyrin's study on personnel management is one of the few, in which the leadership style in production enterprises is analysed. He compared management styles at privatized and new private enterprises in Naberezhnye Chelny. According to him, the authoritarian management style at Russian enterprises manifests itself in the following characteristics (Dyrin, 2006: 105–106):

- Decision-making by the manager alone. Only every third employee participates in decision-making in any form.
- Absence of trade unions at most of new private enterprises. Trade unions existed at all privatized enterprises and only at every third new private enterprise.
- Wide-spread severe violations of the labour law. Primarily, they consist of unpaid overtime and work on weekends, no paid sick leaves and vacations.
- Dependence of recruitment and promotion on special connections with the manager and not on work results.
- The role of the personnel department is 'underdeveloped'.
- Prevalence of charismatic and traditional types of authority as opposed to authority based on formal, bureaucratic rules.

Dyrin states that authoritarian management methods at new private enterprises "were manifested even in harder forms than at formerly Soviet enterprises" (Dyrin, 2006: 103). Dyrin argues that authoritarian management style cannot be regarded as a legacy of the socialist management system, as young managers without any work experience at Soviet enterprises tended to use authoritarian management methods to the same extent as their older colleagues. Moreover, Dyrin argues that authoritarian management style prevails at economically successful enterprises. Concluding, he goes as far as to state a causal link between

economic efficiency and authoritarian management style: “economic efficiency of most of contemporary Russian enterprises (independent of their sphere of activities and ownership form) directly depends on the prevalence of authoritarian management methods” (Dyrin, 2006: 105). However, this statement is not backed by empirical evidence.

Another trait of the management style at Russian enterprises being debated is ‘paternalistic’ management. ‘Paternalistic’ management was characteristic for a socialist enterprise; it manifested itself in the employer’s care for its employees. Under planned economy, large employers provided housing, day-care for children, high quality healthcare and other social benefits to their employees along with employment security. The paternalistic attitude of the employer shaped the expectations and behaviour of the employees, manifesting itself in a lack of initiative and autonomy at work (Temnitsky, 2007). Shershneva and Feldhoff conducted a study of work culture at Russian industrial enterprises in the 1990s (Shershneva and Feldhoff, 1999). They argue that a clash of work values was at the core of the change at Russian industrial enterprises during the period of the market reforms. Paternalistic and collectivistic values that had dominated under planned economy gradually gave way to, what they called, a rational-economic management paradigm.

## **7.2 Empowerment at foreign firms in Russia**

The question about employee empowerment is a prominent topic in the English-language literature on Russian firms (Fey, Nordahl and Zätterström 1998; Michailova, 2002; Fey 2008). The studies agree that foreign firms experience difficulties with employee empowerment or participation in decision-making in their Russian subsidiaries.

Fey et al. support the idea that “moderate empowerment is optimal in Russia today” referring to the degree of empowerment at Western firms (Fey Nordahl and Zätterström 1998: 12). They argue that many Russians feel uncomfortable with taking up a lot of responsibility. However, they note that the lack of empowerment of Russian employees is also reinforced by the lack of trust in their expertise by Westerners or even Russians. Thus Michailova, in a qualitative study of two production firms, comes to the conclusion that empowerment is regarded as “highly problematic or even impossible” for Western managers (Michailova, 2002: 186). She argues that participation does not work in the Russian companies due to the following reasons:

- a one-man authority, when Russian managers perceive empowerment as a loss of power and employees are not interested in showing initiative;

- anti-individualism and dependence, when disobedient and independently thinking people are regarded conflict-prone and anti-social;
- domination of hierarchy and formal status top-down communication;
- lack of knowledge sharing, when knowledge is viewed as a source of individual power;
- contradictory requirements and expectations from Russian and Western managers.

Michailova considers that it is possible to break such patterns of thinking, but only slowly and with difficulty.

Based on recent exploratory study of 13 foreign companies functioning in Russia, Fey concludes that these companies do need a strong leadership but this should be based on competence rather than position and it should go along with the empowerment of the employees (Fey, 2008). Fey stresses the importance of regularly providing information to all, of not punishing mistakes, of training top-management in listening skills, and of providing rewards and quick feedback for useful suggestions.

### **7.3 Work values**

Work values in Russia have changed during the course of reforms in the country. Magun (2006) analyses the data from four work value surveys conducted between 1991 and 2004. According to his analysis, good pay was the most important work value for the respondents and its significance grew from 1991 to 1996 (see table 8). Job security was mentioned twice as often in 2004 compared to 1991. The third most important value was 'interesting work', and its importance did not change significantly compared to 1991.

The importance of the opportunity to achieve something at work grew by 16% from 1991 to 2004; at the same time it became less important for Russian employees that their work is respected by others. Opportunity to take initiative and 'responsible work' remained on the bottom of the list and even slightly lost significance. Finally, most of respondents put the least weight on easing work intensity. Whereas Magun analysed work values of employees in general, Bessokirnaya focused on the work motives of blue-collar workers. She conducted a survey of workers at machine building plants in three cities in the central Russia in 2003 and 2007 (Bessokirnaya, 2010). As a first step, she analysed the importance of 'work at the enterprise' vis-à-vis other basic life values in general. She found that the significance of 'work at the enterprise' decreased for both men and women in all three cities. As a second step, she looked into changes of work

Table 8: Work values of Russian employees in 1991 and 2004

Work values <sup>14</sup>	Frequency of choosing as important, %	
	(1991)	(2004)
Good pay	85	96
Job security	40	80
Interesting work	68	72
Convenient working hours	49	57
Opportunity to achieve something	28	44
Job that is respected by a large circle of people	40	36
Correspondence of work requirements and own capabilities	57	34
Long vacation	46	32
Opportunity to take initiative	30	24
Responsible work	21	20
Not too intensive work	20	18

Source: adapted from Magun (2006: 50)

motives between 2003 and 2007 in more detail. In 2007, workers considered good income and working conditions (safety, sanitary conditions and working hours) the most important. The fifth most dominant work motive was relationships with colleagues at work. The motive of participating in decision-making was at the bottom of the list. Workers also considered 'permanent increase of one's qualification, responsible work and its social recognition less important. Thus, workers were driven rather by motives related with working conditions than by motives related to the content of work, the possibilities for personal development and in the involvement in decision-making. The major outcome of the comparison of the work motives in 2003 and 2007 is that the importance of job security sank: it was the second most important motive (out of 11) in 2003 and only the 7<sup>th</sup> (out of 16) in 2007. Although Bessokirnaya does not explain this change, one can assume that workers became more ready to change jobs or to take up short term employments, offering them good working conditions otherwise.

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14 Original author's formulations are kept and translated.

Table 9: Work motives of workers at machine building plants in 2003 and 2007<sup>15</sup>

Work motives 2003/2007	Average importance (measured on a scale from 1 to 5)	
	2003	2007
Good income	4,9	4,8
Work safety	N.a.*	4,6
Normal sanitary and hygienic conditions of work	N.a.*	4,6
Convenient working hours	N.a.*	4,4
Relationships with the colleagues at work	4,3	4,4
Interesting work	N.a.*	4,3
Job security	4,3	4,1
Opportunity to communicate with other people	4,1	4,0
Autonomy	4,1	4,0
Use to other people from one's work	3,8	3,9
Relationships with the management	4,1	3,8
Realization of one's capabilities and skills	4,0	3,8
Social recognition of my work	3,7	3,7
Responsible work	N.a.*	3,7
Increase of one's qualification/permanent increase of one's qualification	3,5	3,2
To participate actively in production management/ participation in discussions and preparation of decisions, as well as decision-making about the life of the collective	3,1	3,2

\* Not asked in the survey

Source: Bessokirnaya (2010: 59-60)

## 8 Representation of employees' interests

### 8.1 Structure and functions of company-level trade unions

During the time of turbulent change in Russia's economy and society in the 1990s, the Soviet version of the Labour Code was still in force. However, several complementary laws which were adopted in the early 1990s

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15 The lists of values used by Bessokirnaya differed.

strengthened the rights of labour unions (DeBardeleben et al., 2004b). In 2002 a new Labour Code of the Russian Federation was adopted, which regulates the representation of employees' interests up to the present. The new Labour Code, compared to the previous regulations, significantly reduced the employees' opportunities to represent their interest collectively.

The consequences of the new Labour Code on employees' interest representation have been a subject of debates. Klimova and Clement (Klimova and Clement, 2004) conducted a thorough analysis of the impact of the new Labour Code on the labour relations in Russia. According to them, the new labour code improved the position of the 'traditional' trade unions (created under socialism) at the companies and worsened the opportunities of the 'new' or 'independent' unions. The first reason is that only the majority union became a legitimate representative of employees' interests, which favours the old unions. The second reason has to do with the legal status of the 'basic trade union organisations'<sup>16</sup> vis-à-vis the 'trade unions' in Russia. A 'basic trade union organisation' is a voluntary union of employees at the company or plant level. A 'trade union' is an umbrella organisation that comprises several basic union organisations. The new Labour Code recognizes a basic trade union organisation as the only possible negotiation partner for the employer. However, at the same time the basic union organisations were deprived of a right to act as a juridical person and therefore, they even cannot have a bank account in order to collect the members' dues:

"According to the current Code, employees cannot only be members of a trade union (since), they are the members of a basic trade union organisation, which is a structural part of a trade union. While the trade union acts on the basis of a statute and can be an independent juridical person, the primary trade union organisation is subordinate to it and acts on the basis of the regulations approved by the union and has no independent bank account." (Klimova and Clement, 2004: 16)

Thus, basic union organisations are forced to join already established trade unions. Klimova and Clement conclude that the new Labour Code makes it difficult for employees to form a basic union organisation, which can be really active in defending employees' rights and can unite the majority of employees at the enterprise.

The comparison of the 'old' or 'traditional' and 'new' or 'independent' trade unions is one of the major research topics in the field of industrial relations in Russia. Most of the studies point out that the functions of the traditional unions have not changed much. Borisov and Clarke conducted a large study of trade unions in Russia in 1999–2000 (Borisov and Clarke,

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16 In Russian: 'pervichnaya profsoyuznaya organizatsiya' or 'pervichka'.

2001). They focus mostly on the unions within the Federation of Independent Trade Unions (FNPR), the successor of the state trade union. Borisov and Clarke argue that 'a service model' of unions still prevails in Russia despite some reduction of traditional distribution functions of unions. Unions attempt to offer some services to the individual members rather than organise employees for collective protection of labour rights, which would correspond to the 'organisational model' of trade unions (Borisov and Clarke, 2001). They point at the passivity of union members and their low level of information about the union and state that trade union's activities are only represented by 'the trade union apparatus'. This passivity of ordinary union members is compared to 'a swamp' as employees keep tolerating the violations of their labour rights instead of trying to defend them.

## **8.2 Primary trade unions**

Relatively little research is available on the changes in structure of union organisations on the company-level and on the new unions.

Kuznetsov (2001) studied the examples of the Mining and Smelting Union. According to him, the primary union organisation was headed by the Union Committee ('profkom'); the lower level of organisational structure is the Shop Committees ('tsekhkomy'). Both the Union Committees and Shop Committees were elected bodies.

A large part of a union's activities on the plant level takes place in form of committees. Cheglakova (2008) analysed the changes of the committee structure at Samara Metallurgical Plant after it became a part of the American transnational corporation Alcoa. She reports that several committees were 'a traditional' part of the union's activities at the plant: legal committee, committee for labour conflicts, committee for work safety, committee for living conditions, cultural and 'mass' events, social committee, committee for sport activities, for youth politics and for organisational work. The change of the ownership contributed to a weakening of the union's functions related to the 'paternalistic' role of the enterprise (such as organisation of cultural events) and strengthening of 'the legal and economic functions'. To fulfil these functions, an economist and a lawyer had to be included into the Union Committee. The economist helped with calculation of the payment schemes offered by the union. The lawyer helped employees with work-related questions but also with private matters, such as selling a flat. These changes were motivated by the union's attempt to attract new members.

Cheglakova concludes that after the takeover by Alcoa, the plant's union became more active in collective representation of employees' rights.

However, the primary union organisation was still mostly driven by local and short-term goals and strived towards the agreement with the plant's management. According to Cheglakova, the union's activities became more professional and bureaucratized but still mostly aimed at solving problems of individual employees. She argues that the direction of the union's development was towards 'a commercial service-oriented organisation'. Ilyin analysed this tendency both at company-level unions and at regional unions (Ilyin, 2001).

### **8.3 Membership**

The determinants of membership in a union were studied by Plotnikova E.B., Germanov and Plotnikova E.V. (2005a). They conducted a survey of about 800 people employed at 14 industrial enterprises of Perm region. Only 'traditional' unions were present at the companies. The membership in the enterprises' unions varied between 36% and 98% of the employees. Plotnikova et al. come to the conclusion that protection of employees' labour rights by the union was not a significant determinant for the majority of the respondents for the membership in the union. The motives of individual momentary advantages dominated, similar to what had been the case under the planned economy.

Members of traditional unions included all categories of employees at the enterprise: shop-floor workers, highly educated specialists, and even managers. In the 2000s this became a controversial issue. Kozina conducted an analysis of trade unions at Russian plants of three transnational corporations: Alcoa-Russia, Ford Motor Company, and TNK-BP (Kozina, 2009a). She states that the most significant membership change at Alcoa-Russia after its takeover by the American TNC was 'a mass flight' of managers from the union. However, the managers did not leave because of their disagreement or opposition to the union; rather, they were unwilling to report the size of their salaries when paying the union dues.

### **8.4 Collective labour agreements**

A considerable number of publications on employees' interest representation in Russia are dedicated to collective labour agreements. The liberalisation of the Labour Code increased their importance for the regulation of labour relations (Kozina, 2009a: 153):

"The contemporary Russian labour law adapted to the market conditions contains only the minimal social and labour guarantees for employees and orients the labour relations parties (employers and employees) towards the [collective] agreement-based regulation [of labour relations]. This is why the role of the collective agreements as the main local legal act about labour, and the role of unions as legitimate representative of

employees' social and labour interests considerably grow: the collective will live and work according to the rules negotiated between the trade unions and the employers."

There are several levels of collective agreements in Russia (Vishnevskaya and Kulikov, 2009). The company-level collective agreement between the company's management and the primary union organisation depends on the industrial 'Tariff Agreement', and local and regional agreements. The regional and the industrial agreements are guided by the principles stated in the 'General Agreement', which is developed by the Russian Three-Party Commission for the Regulation of Social and Labour Relations. The Three-Party Commission consists of the Russian Union of Industrialists and Entrepreneurs (RSPP), representatives of the trade unions, and the Government. The head of the Federation of Independent Trade Unions (FNPR) and his deputy are the coordinator and the deputy coordinator of the Commission from the side of the unions. However, there are also representatives of the new independent trade unions – VKT and KTR among the members of the commission. VKT (All Russian Labour Confederation) and KTR (Labour Confederation of Russia) collaborate on the federal and regional levels. Each of the independent confederations unites very diverse regional and industrial unions. Members of KTR include the Union of Air Traffic Controllers, the Dockers' Union, and the Union of Locomotive Brigades among others. The VKT includes Coal Miners' Union and the new independent Union of Automobile Building Workers (MPRA).

The studies on the impact of a higher-level collective agreement on the company-level agreements observe the lack of coherence between the two levels. According to the Labour Code the more favourable terms for an employee should prevail (Vishnevskaya and Kulikov, 2009: 93). Vishnevskaya and Kulikov analysed the impact of the industry-level tariff agreements on the determination of wages. They studied 36 industry-level agreements that were in force in 2008 and conducted interviews with representatives of employers' associations in the power industry, mining, metallurgy, and light industry. According to them, industry-level agreements tend to be more favourable for employees than lower level agreements. However, there are considerable problems with the enforcement of the industry-level agreements at the company-level:

"As the law does not require any reports from the companies about their compliance with the industry tariff agreements, the compliance is voluntary and depends on the engagement of the employers' association, level of interest of the participants [of the agreement], and relations established within the association." (Vishnevskaya and Kulikov, 2009: 101)

Vishnevskaya and Kulikov conclude that due to their weak enforcement, higher-level agreements do not represent any restrictions with regard to wages on the company-level:

“In fact, individual companies face no restrictions, when deciding on the wages. They act predominantly on the basis of their own opportunities, without taking into account the situation in the economy and in the industry as a whole.” (Vishnevskaya and Kulikov, 2009: 103)

The argument about the weak enforcement of industry-level tariff agreements was also expressed by Komarovskiy and Sadovaya (2006). They conducted an analysis of the system of industry-level collective bargaining and studied in detail the contents of industry-level agreements which were in force in 2004–2005. They found that many employers tended to lower the basic pay rate compared to the industry-level agreements. They found also that some of the industry-level agreements included terms that worsened employees’ pay, working conditions, and social guarantees compared to the conditions specified in the labour law.

The study by Plotnikova E.B., Germanov and Plotnikova E.V. confirms the low impact of industry-level collective agreements on the company-level collective agreements (Plotnikova et al., 2005c). According to them, the only document that was used as ‘an obligatory norm’ for developing a collective agreement on the company-level was the Labour Code. The industry-level tariff agreement, the regional three-party agreement, and the local (municipal) agreement were signed and in force, but only used “as a recommendation” (Plotnikova et al., 2005c: 26-27).

The studies on company-level collective agreements at Russian enterprises focus on the process of negotiation of the agreements and their fulfilment by the employers. An in-depth contribution to these issues was made by Plotnikova E.B., Germanov, and Plotnikova E.V. (2005b, 2005c; Olimpieva, 2010). Plotnikova et al. in their study mentioned already above investigated the relations between employers, company-level trade unions, and employees at 14 manufacturing enterprises in the Perm region in 2004 (Plotnikova et al., 2005c). The study included chemical, forest, and agro-industrial enterprises<sup>17</sup>. Plotnikova et al. draw attention to the *passivity* of both trade union members and non-unionized employees regarding the bargaining on collective agreements and other trade union activities. Only one third of union members came up with suggestions, when a draft of the collective agreement was developed. Employees were poorly informed about the contents of the collective agreements, and, as a rule, only knew that a collective agreement existed at the enterprise.

The collective agreements that were already in force were not entirely fulfilled by the employers. According to Plotnikova E.B., Germanov, and

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17 It follows from the text that the firms under study were privatized, with trade unions inherited from the Soviet time; the authors, however, do not state this explicitly in their description of the case studies.

Plotnikova E.V. only 22% of trade union leaders stated that all the terms of the collective agreements were fulfilled, and 76% stated that most of the terms were fulfilled (Plotnikova et al., 2005c: 23). The employees' estimates of the degree of fulfilment were considerably lower. Still, 75% of firms' employees stated that trade unions play an important role in employees' interest representation vs. 16% who did not think that unions mattered (Plotnikova et al., 2005c: 23). The authors conclude that employees still viewed unions as primarily a distributor of social benefits at the enterprise. Plotnikova et al. suggest, there was a great shortage of unions' activities aimed at informing employees about the functions of the union related to labour rights protection and at engaging employees in developing a collective agreement and monitoring its fulfilment.

In another study, the same authors present the official data about the violation of labour rights registered in the Perm region in 2004 (Plotnikova et al., 2005b). They discuss a special type of the registered violations: inclusion into the collective agreements of terms, which worsened the position of the employees compared to regulation stipulated by the labour law. Plotnikova et al. distinguish two kinds of such violations (Plotnikova et al., 2005b: 61-62):

- Violation of individual labour rights specified in the Labour Code (e.g. employment without a written work contract, changing the conditions of work contracts without employees' consent, shortening vacation time, involuntary overtime work etc.)
- Violations that restrict the collective labour rights stated in the WTO Convention and ratified by Russia (e.g. the right to establish trade unions and to conduct collective negotiations with the employer).

In sum, the research on company-level collective agreements comes to the conclusion that they are insufficient in protecting the employees' labour rights in Russia. On the one hand, the engagement of organised employees in the negotiation of collective agreements was poor. On the other hand, there were problems with the violations of labour rights and the fulfilment of the obligations by the employers.

The enormous scale of violation of labour rights in Russia, according to Zaslavskaya and Shabanova, can be seen as an 'institutionalization of illegal labour practices'. They argue that illegal labour practices have become the norm in labour relations in Russia (Zaslavskaya and Shabanova, 2002a, 2002b). About 60-65% of employees encountered violation of their labour rights. However, only 35% were aware of such violation; the rest interpreted it just as life troubles, were not informed about their rights, or agreed to illegal conditions when they entered the company.

## 8.5 Perception of trade unions by employees

According to Plotnikova E.B., Germanov, and Plotnikova E.V. (Plotnikova et al., 2005c) there were significant divergences between the perception of union activities by the management, union members, and non-unionized employees (see table 10). Unions themselves tend to estimate quite highly their impact on questions regarding work safety norms, social benefits and payments. Employees were much more sceptical regarding the impact of the unions.

*Table 10: Main spheres of engagement of trade unions, estimated by employees, management and union representatives (percent of respondents)*

<i>Sphere of engagement of trade unions</i>	<i>Group of respondents</i>		
	<i>Employees</i>	<i>Management</i>	<i>Unions</i>
Increase of wages	23.8	39.5	43.9
Paying the wages on time <sup>18</sup>	46.7	50.0	65.9
Job security	27.9	47.4	56.1
Observing employees' rights during staff reduction/ dismissals	36.1	60.5	68.3
Improvement of working conditions	35.1	60.5	70.7
Observing the norms for work safety	36.3	57.9	90.2
Observing employees' rights regarding social benefits and payments	45.1	65.8	82.9
Times for work and rest	43.8	65.8	70.7

Source: Plotnikova E.B., Germanov and Plotnikova E.V.(2005c: 24)

Increase of wages and job security received the lowest scores by all three groups of respondents, which show the persistence of the traditional role of the unions – distributing social benefits rather than fighting for employees' interests.

## 9 Summary and conclusion

In summary, the research literature on HR conditions or personnel management in Russia is still dominated by the theme of the transition towards a market economy, and questions of whether or to what extent the Russian companies are diverging from previous socialist practices. Research on non-Russian private firms is still in its infancy stage. Although a lot of Western management literature has been translated into Russian by now, Western human resource management practices have not become a

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18 With 'on time' the author means the time specified in the employment contracts.

reference model for most of the Russian industrial companies. References to non-Russian language studies remain exceptional in the research literature, too.

A first finding of the literature review is that personnel departments are no powerful actors in Russian companies. Vis-à-vis other functions in the companies, they seem to play a marginal role, limited to mostly administrative tasks.

As was shown in this paper, human resource conditions in Russia in many respects show distinctive features such as a high mortality among able-bodied men and a high proportion of female labour even in areas, which are predominantly male in Western countries. The state of the public health and demographic situation are very problematic; the institutions and regulations in vocational training have not been modernized. Most of these issues are under research on the societal level. However, there is a lack of studies bridging these human resource challenges with personnel management practices on the company level.

Regarding the issue of wages and incentives, much of the literature focuses on a particular odd feature of the transition in the form of changing wage levels as a means to safeguard employment and to avoid deeper restructuring of production and work organisation. As a consequence, wage stability has become one of the main concerns of workers and unions. From this background, wage system reforms still are mostly seen (and used by companies) as a means to reduce cost and not for motivation or for personnel development. This is reflected in the way the companies use personnel appraisal systems as well as the Soviet instrument KTU. All systems are dominated by high discretion given to supervisors and higher management, the power to unilaterally change conditions and use systems for punitive purposes.

The literature review shows a dearth of attention towards issues of personnel development, even in the face of the reported shortage of qualified labour for industry. Few employers are upgrading the skills of their personnel. A large part of Russian companies still use the Soviet Qualification Handbook, not making the effort to develop up-to-date competence requirement lists and shape personnel development and career paths accordingly.

Work organisation was one of the prominent topics of research literature in the 1990s and the interest towards it seems to go down in the 2000s. The paradigms of Toyota Production System and Lean Production started to become prominent in the practitioners discussions in Russia only in the mid-2000s. The practitioners' debate revolves around management concepts provided by consulting companies, but the research on the

implementation of these approaches in Russia is just beginning. The existing evidence gives an impression that very few enterprises strive for a thorough change on the basis of these principles.

A number of studies exist on leadership styles and work values. The research on management styles centres on the prevalence of authoritarian management and impediments to employee empowerment that exist at Russian enterprises. Employees' work values reflect their lack of interest in participation in decision-making. The social impact of work lost importance and there seems to be a shift towards more individualistic work motives. Industrial workers also have a more short-term orientation towards their job as employees in general, as job security is not among their prime work values.

On the whole, the review suggests a low pace of changes in the subject areas of interest in the Russian companies. The Russian managers do not seem to recognize that the shift towards more formalised, consistent, and systematic management of human resources is a necessary precondition for introducing more advanced approaches to production and work organisation.

Multinational companies establishing production in Russia will have to cope with the shortage of qualified human resources. The employees and managers in Russia are lacking both the technical competencies and the basic knowledge and experiences of lean production and modern concepts of work organisation that became wide-spread in the West. Bottom-up communication is important for these concepts and is likely to meet with resistance from both Russian employees and managers. The shortage of young men willing to work in production might represent a challenge for a long-term development of MNCs. It might require the attraction and re-training of non-typical employee categories – women, elder people, or migrant workers from the neighbouring countries.

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