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# New Trends in HRM in Russia

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# Basic landscape for HRM in Russia

- Fragmentation of HRM policies in industries, regions, ages
  - Claimed skills' shortage
  - Growing discrepancy inside companies between levels and professions
  - Emulation of the "social peace" at company level
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# Fragmentation of HRM policies in industries, regions, ages

- Income difference between regions (Moscow-Ingushetia) – 10,000%
  - Wages difference – Energy extraction – 23,456 Rub., Agriculture – 3,646 Rub.
  - Pension as percentage of current wages – 1995 – 40%, 2005 – 28%
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# Claimed skills shortages

- Average age of qualified workers in medium-tech industries – 55-60 years
  - Number of officially unemployed (excluding first job-seeks) – 2,5 mln., official vacancies – 1-1,2 mln. per month
  - Salaries for qualified technicians -- 250-400% of average salary in the region
  - Influx of expatriate managers for top and medium positions in local companies
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## Growing discrepancy inside companies between levels and professions

- The gap between average salary and top managers remuneration (excluding options and “perks”) – 5000%
  - The gap between same-level positions in different functional areas – 200-500%
  - Remuneration of top managers in Russian companies – 20-50% higher than in foreign subsidiaries of MNCs
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## Emulation of the “social peace” at company level

- Proclaimed “social responsibility “as the mean to improve efficiency of production” (citation from one company site)

BUT

- Number of strikes - 2003 - 67; in average 5 days off per striker ; 2005- 2675, in average 1 day off per sticker. The best-performing companies become “hostages” (Ford case)
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## Two major trends in HRM policies

- Growing importance of HRM issues as strategic issues
  - Centralization of HRM policies
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# Growing importance of HRM as strategic issues

- Personnel is seen as **fixed expenses**
  - Competition for qualified personnel threatens intra-industry “gentlemen agreements”
  - Shortage of personnel – the major obstacle to expansion plans
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# Centralization of HRM policies

- Decreasing authority of line managers over personnel issues (especially remuneration and benefits)
  - Company-wide social “packages”
  - HRM departments responsible for labor expenses
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## **Dominant solution by Russian companies– installing fool-proof built-in systems**

Massive installation of technical solutions to improve productivity and to decrease dependence on individual motivation

- Industry – massive automation, TQM a la Russe
  - Services – massive training programs, ISO, tailorism
  - Overall situation reminds the USA in 1920s
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# Consequences for foreign companies in Russia

- Expect that young talents will leave in 2-3 years, selling your systems and “tricks” to local competitors
  - Rely on higher personnel (35-45), offering greater authority in remuneration of subordinates
  - Design “non-congruent” social packages (pension schemes, family members support)
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