ANALYSIS OF PERSONNEL MANAGEMENT IN THE FRAME OF THE TENDENCIES AT EXTERNAL AND INTERNAL LABOUR MARKET IN RUSSIA

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INTRODUCTION

In spite of considerable research into Russian human resource management (HRM) (Ivantsevich, Lobanov, 1993; Egorshin, 1997; Odegov, Guravlev, 1997; Dyatlov, Kibanov, Odegov, Pixalo, 2000; Kibanov A. J. (ed.), 2001, etc.), there has been little examination of the trends in the use of external and internal labour markets (Odegov, Rudenko, 2004).

The segmentation of labour markets into internal and external was suggested by Doeringer and Piore (1971). Despite the neo-classical vision of labour market as a “space” of free exchange between demand and supply, the adherents of the Evolutionary-Institutionalist tradition considered the labour market as a social institution, with developments depending on different social constraints. The origin of the internal/external labour market analysis can be explained by two main factors: the minimization of the costs of the enterprises in the procedures of personnel recruitment and the uncertainty concerning its quality (Marsden, 1989; Duthil, 2004).

1. The authors thank prof. C.Brewster (United Kingdom, Oxford) for helpful comments and collaboration.
Analysing the nature of internal labour markets, Doeringer and Piore (1971) defined it as an administrative unity in which the compensation and job-replacement are determined by the integrity of rules and administrative procedures: ie the internal labour market functions at organizational level. The internal labour market is defined as a labour exchange in which employees of an institution, a company or a group, can operate. The degree of development of an internal labour market can be considered as an important index of change in human resource management practice in organizations, including Russian ones. In this article we analyse the tendencies of the internal labour market as a means of evaluating changes in human resource management departments in Russia.

For internal labour markets to function effectively, the following criteria have been suggested (Gambier and Vernieres, 1991):

- the application at the enterprises of the methods of work classification, which makes it possible to know the necessary qualifications during work duration and promotion;
- the modality of promotion, which follows the effective application of human potential in the organization;
- the conditions of job-replacement (more or less restrictive or selective);
- training policies, which provide the possibility for internal development for all employees, connecting that with the requirements for job-placement at the level of individual knowledge.

The benefits of establishing internal labour markets and their functioning in organizations are important both for employers and employees. The functioning of an internal labour market can serve as a response to the variability of economic activity, the scarcity of certain skills and qualifications and as an important measure of retention. In addition, companies with effective motivation policies and personnel career promotions are more flexible in relation to turbulent business environments. The costs of severance or recruitment in such companies can be reduced or avoided. Thus, an internal labour market responds to the development of uncertainty in the external labour market and the transaction costs that result. But running an effective internal labour market is a complex organizational problem that requires a clear human resources policy and organizational skills development. The complexity of the issue can be confirmed by the enumeration of the main functions of internal labour markets and the evaluation of their importance for organizations. Among the more essential ones are: recruiting, training and innovation (Ballot, 1996). In addition there is the need to integrate people into a social community and to provide employment security.
It is clear that the development of internal labour markets in organizations and the efficiency of human resource management are interconnected phenomena. It is possible to consider employment policies in organizations as a control-lever of the development of internal labour markets. Human resource management functions are oriented to the application of such methods as competency-based approach, the improvement of work organization and the system of work motivation and compensation which will be connected with the organization’s use of internal labour markets.

Focussing on those countries that are in transition from the former communist governments to free market arrangements, it is necessary to take into account the complexity of their macro-social conditions which is, to a considerable degree, determining the restructuring and the dynamics of internal labour markets and their interconnection with the external labour market. In condition of social stability, there is some kind of equilibrium concerning the tendencies in external and internal labour markets that facilitates the development of human capital in organizations and in the society. That’s why researchers working on the problems of the analysis of the development the internal labour market in Russian organizations describe its development in connection with the state participation in regulation of the employment relation at the level of enterprise (Odegov and Rudenko, 2004). Accordingly these basic ideas, it is possible to define the main purposes of our article as:

- an analysis of the tendencies in the Russian labour market, including external and internal ones;
- using the adaptation of the flexibility concept for the evaluation of Russian labour market restructuring; and
- an analysis of the restructuring of the Russian labour market and its interconnection with the dynamics of human resource management practice in Russian organizations.

THE RESTRUCTURING OF RUSSIAN LABOUR MARKET:
“SOFT” TENDENCIES, “HARD” CONSEQUENCES

Looking at the work on the problems of the dynamics of the Russian labour market and its peculiarities, it seems there are two main stages in such dynamics (Gimpelson and Kapelushnikov, 2006, p. 129): a) 1991-1998; b) 1999 - up to the present.

The first stage of the dynamics of the Russian labour market is characterized as including the growth of open unemployment in Russia, the reducing
of the working hours of employees and reductions in their real wages. The second stage is characterized as including post-transformational positive dynamics in all the basic indices of the Russian labour market. This periodization can be detailed by taking account of the process of enterprise restructuring, determining the transformation of Russian management practice, including human resource management. Enterprise restructuring in transitional countries was to a considerable extent determined by the process of privatization.

The privatization of Russian enterprises according to the state privatization programme had two main stages: 1990-1992 - “malaya privatizatsiya” (small privatization); 1993-1994 –“mass” privatization (vauchernaya privatizatsiya).

During the privatization process the Russian enterprises changed the employment relationships through personnel restructuring. Two main “waves” can be outlined in this change: 1991-1992 – the early phase during the so-called “small privatization”; 1995-1997 – the second “wave” of personnel restructuring, after the privatization of most larger Russian enterprises, with the strengthening of the Russian rouble and the impact of the inflation process. The economic crisis in 1998 in Russia ended this stage.

The third stage in personnel restructuring begun after 1998 and continues to the present. The peculiarities of this stage relate to the necessity of Russian enterprises surviving in conditions of market competitiveness. The employment system that is developing in Russian organizations is built on, from one side, the heritage of the Soviet social system and, from the other side, is determined by social phenomena rooted in the complexity of the transition process in Russian society. Whereas the Western practice of human resource management is oriented to an efficient utilization of personnel and requires the adaptation of competency-based approaches, flexible work patterns and innovations concerning the concept of productivity and efficiency, the opposite situation existed in Russian employment relations at the beginning of the Transition period. This was orientated towards keeping full employment of the population in Russia, for ideological, political and social reasons (see Figure1).

The process of replacing the original model of Russian employment relations with market-oriented ones started from the beginning of the Transition. Thus, the transformation of Russian labour relations was, to a considerable degree, dependent on the process of the decreasing of the work force surplus in the enterprises in favour of the implementation of market methods in all

2. Itogi i problemy privatizatsii gosudarstvannih munisipalnikh predpriiatii- Ekspertnoe zaklu-
chenie Mejnunarodnogo Banka Rekonsteruksii i Razvitiya, Voprosi ekonomiki, 1994, n° 6, p. 17.
functions of human resource management. Personnel optimization in the Russian enterprises was the most important and necessary requirement for the implementation of market-based human resource management procedures, such as: pay-related performance, competency-based management, career development.

**Figure 1 – The model of Russian employment relation at the beginning of the Systematic Transformation (comparative view)**

The Soviet employment system was based not just on the maintaining of full employment, but also on the inefficient utilization of the labour force. Soviet organizations were characterized by the predominance of power relations in the regulation and functioning of the internal labour market, including the criteria of personnel appraisal and promotion. This situation began to change from 1992 in the first stage of Systematic Transformation with:

- the development of personnel mobility;
- the adaptation of flexible work patterns, especially in the small enterprises;
- an understanding of market tendencies amongst management employees in Russian organizations, following the pressure for market competitiveness and the development of business services, such as consulting companies, specialized in different managerial services, including recruiting, training, appraisal, dismissal of surplus personnel.
The main contradictions that prevailed in the restructuring of traditional personnel arrangements in Russian enterprises during the Transformation were determined by the necessity to overcome the gap between traditional personnel structures and the new requirements on personnel, including (Buza
novskiy, Gorelov and Krasnovskij, 1999, p. 221):

- organizational employment;
- a professional-qualitative structure;
- the level and structure of personnel costs;
- efficiency and quality in employment relations.

Such requirements are determining the changing of the personnel structures developed in the conditions of the Soviet economic system, which were no longer appropriate to the new requirements. These changes, in turn, were required by the transformation of the activity of Russian human resource management departments in order to manage organizational employment more efficiently. Personnel restructuring and the development of flexible work patterns in the Russian labour market go under way from the beginning of Transition. That’s why it’s possible to adapt Western methodology, related to the flexibility concept, being actively developed since 80s by Western specialists for the evaluation of flexible work practices spreading over the Russian labour sphere.

There have been numerous studies of the labour flexibility problematic in Western Europe (Barbier and Nadel, 2000; Brewster, Hegewish, Mayne, 1994; Rubalcaba-Bermejo, 1999; Servalos and Aparicio-Vaeverde, 2000). Under conditions of globalization, and the drive for effective market competitiveness, organizations need a deliberate human resource management strategy. Despite the investigations of Russian labour market restructuring, this process is generally not analyzed by Russian specialists in relation to personnel management field, though the problem of the adaptation of forms of Russian labour market, related to the regulation of unemployment rates has been investigated (Kapelushnikov, 2001). The management of flexible work practice requires an effective functioning of human resource management departments and the modernization of HRM strategy. Russian human resource management departments need to transform themselves to cope with the new situation. Investigations of flexible work patterns in European countries show that the link between flexibility and HRM strategy is a core research problem in this field. The adaptation of Western investigations, related to the necessity and peculiarities of management flexible work practice, accentuate its influence on quality of work, the development of human capital in organizations and society. The adaptation of the concept of “socially sustainable” flexibility is important from a theoretical and practical point of view in Russian organizations.
Such addition to the content of the flexibility concept follows on from the neo-liberal vision of the development of employment relation, taking place in management practice of Western countries and consequently, in Western investigations. This methodological vision is especially important for Russian society, where during most of the Transition period emphasis was placed on a neo-liberal vision of socio-economic development, including the development of labour sphere and managerial practice.

For the efficient management of flexible working practice organizations have to:

- integrate flexible working practice in corporate strategies, including HRM strategies;
- provide the costs and benefits of using particular flexible working practices, including development of competences and vocational training;
- keep employees involvement in organizational development, in spite of using such innovations in human resource management as flexible employment and time-working;
- develop flexible work practice innovations on the base of:
  a) high wages;
  b) legislated employment protection;
  c) competitive production.

The restructuring of the size of Russian enterprises, which started from the beginning of “malaya” (small) privatization, partly determined the employment dynamics. Its rate was highest during the Systematic Transformation (see table 1).

Table 1 – The dynamics of employment in Russian organizations during Systematic Transformation (1992-1996, mln)

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Economically active population, including:</td>
<td>72.1</td>
<td>70.9</td>
<td>69.4</td>
<td>67.1</td>
<td>66.2</td>
</tr>
<tr>
<td>Large and medium enterprises</td>
<td>60.3</td>
<td>58.6</td>
<td>55.7</td>
<td>53.2</td>
<td>51.5</td>
</tr>
<tr>
<td>Small enterprises</td>
<td>5.2</td>
<td>7.1</td>
<td>8.5</td>
<td>10.5</td>
<td>12.0</td>
</tr>
<tr>
<td>Informal economic sector</td>
<td>1.1</td>
<td>2.0</td>
<td>2.5</td>
<td>3.4</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: Biznes i economica, 1997, 30.01, p. 11.

Average number of personnel in large and medium enterprises was decreasing more than on ¼, from 59 million employees in 1991 to 42 million in 1999 (Kapelushnikov, 2001, p. 38). So, the size restructuring of Russian
enterprises was accompanied by the growth of labour mobility. Labour mobility can be outlined as one of the essential feature of employment regulation in Russian organizations, related to its restructuring (see table 2):

Table 2 – The labour mobility in Russia 1985-1998 (%).

<table>
<thead>
<tr>
<th>Year</th>
<th>Inter-sector mobility</th>
<th>Inter-enterprise mobility</th>
<th>Occupational mobility</th>
<th>Intra-enterprise occupational mobility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985-1991</td>
<td>21.3</td>
<td>26.3</td>
<td>21.9</td>
<td>7.6</td>
</tr>
<tr>
<td>1991-1994</td>
<td>22.2</td>
<td>26.2</td>
<td>25.8</td>
<td>11.4</td>
</tr>
<tr>
<td>1994-1996</td>
<td>15.2</td>
<td>16.6</td>
<td>17.7</td>
<td>7.7</td>
</tr>
<tr>
<td>1996-1998</td>
<td>15.1</td>
<td>17.9</td>
<td>16.6</td>
<td>7.8</td>
</tr>
<tr>
<td>1991-1998</td>
<td>38.3</td>
<td>41.5</td>
<td>42.2</td>
<td>19.4</td>
</tr>
</tbody>
</table>


The transformation of Russian enterprises as legal units was accompanied by the spread of labour mobility in Russia. One feature of such transformation was the implementation of contracts. With growth in labour mobility, developed mainly on a voluntary basis, unemployment in Russia began to grow during the process of enterprise restructuring from 4.8% in 1992 to 13% by the end of 1998 (Gimpelson, 2001, p. 18). Labour mobility determined the implementation of contractual institutions in Russian employment relations, which was followed by the adaptation of wage, time, and functional flexibility in organizations, especially in small business enterprises. The possibility for employees to be paid more than at previous job-places is the main reason for the spread of labour mobility in Russia. So, contractual mechanisms of employment relation and labour mobility were interdependent phenomena and promoted the implementation in Russian organizations of flexible work practices and patterns and as a consequence, should be followed by the implementation of innovations in Russian human resource management practice.

Nevertheless, employment regulation in Russia was characterized by an artificial enforcement of the rate of unemployment, rather high in comparison with the other post-socialist countries. The conservation of surplus personnel in Russian organizations was deeply embedded and reflected not only the essential features of socialist system but also the peculiarities of the Russian Transformation. Its regulation can characterize the degree of the restructuring of the Russian labour market during the Transition, in turn leading to changes in human resource management practice in Russian organizations.
Kapelushnikov (2001) points out the different quantitative and financial types of flexible work patterns (see table 3):

- partial employment;
- the second and so-called “informal”, but factually illegal type of employment;
- the decreasing of the work day or work week duration (part-time working).

**Table 3 – The indexes of part-time working in Russian economics**  
(\% to all employment)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Index of partial employment, part-time working including:</td>
<td>3.1</td>
<td>4.0</td>
<td>5.5</td>
<td>5.2</td>
<td>60.</td>
<td>3.1</td>
<td>4.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Inforced partial employment (part-time working)</td>
<td>0.6</td>
<td>0.7</td>
<td>0.6</td>
<td>0.6</td>
<td>0.5</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
</tr>
<tr>
<td>Forced partial employment (part-time working)</td>
<td>2.5</td>
<td>2.7</td>
<td>4.4</td>
<td>4.1</td>
<td>5.0</td>
<td>2.9</td>
<td>3.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*Source: adapted from Kapelushnikov (2001), p. 103.*

The tendency of forced part-time working was noted in Russian organizations from the beginning of the Systematic Transformation. In the condition of the small, “malaya”, privatization in 1992-1993, the decreasing of the duration of the work day or work week was the main measure used and was a source of decreasing wage costs in a considerable proportion of Russian firms (Gimperson, 2001). In 1994, 4% of employees were working incomplete days during the week. In 1995, this proportion amounted to 35.6% in chemical and oil-producing industry. In machine engineering and in the metal working industry the proportion of such employees grew from 18.2% to 26%; in light industry, from 16% to 27.4%. In March 1995 forced vacancies with partial wages were affecting 55% of manual workers and 36.9% of office workers. In June 1995, this data increased to 62% and 57.2%; in metal working – 95% and 70%; in machine engineering – 75% and 65.5 % (Antosenkov, 1995, p. 87). Many had second jobs: 16.8% of Russian active population in 1993 and 12.7% in 1999 (Kapelushnikov, 2001, p. 113). The high point of partial time-working was reached in 1994-1996.

Russian specialists explain the retention of surplus employment by the existence of legal obstacles for workforce reduction (Kosmarskaya, 2001, p. 61):
• strict rules of determination of labour contracts;
• required agreement of trade unions for mass workforce reduction;
• numerous mandatory procedures for assisting redundant workers in obtaining new employment;
• significant compensation payments to redundant workers;
• trade union involvement in the decision-making process concerning mass workforce reductions.

The laws in Russia, “On employment” and the Labour Code, were changed following the necessity of normalizing economic relations in the labour market to improve the productivity and efficiency of enterprises. During most of the Transition period Russia had a Labour Code adopted in the Soviet period (1971). At the beginning of Transition, the Russian Labour Code was partly changed. So, in 1988, new legal norms were added to the Labour Code, making it easier to decrease personnel in the cases of technical, economic organizational restructuring. But, following the existing labour legislation, the dismissal of employees required special procedures, including the supposing of new job-places for employees, taking into account the lack of skill as main reason of possible personnel dismissal. Russian labour legislation during most period of the Transition kept its rigidity (Kirichenko and Kudukin, 2003).

Because of the difficulties related to workforce reduction, employers preferred to use different flexible forms to cut labour costs. The New Labour Code, which was adapted in Russia in 2002, in spite of changes of labour legislation in favour of its liberalization, did not change the administrative obstacles concerning the reduction of surplus personnel. According to the New Labour Code employers have to pay five months salary to dismissed employee. So Russian employers prefer to use so-called “indirect” methods of personnel cost reductions: wage arrears, low salaries, etc.

So, the problem of personnel reduction requires the further liberalization of the Labour Code, from one side, and the development of enforcement mechanisms for labour relations regulation on the other. In spite of the difficulties, management practice at such Russian enterprises as Norilsk Nickel confirms the fact that Russian enterprises are adopting policies of personnel dismissal. Reductions of surplus personnel at Norilsk Nickel during 1996-2000 amounted to 27%. The company was able to eliminate ineffective jobs and to increase labour productivity in 2000 by 80% compared to 1997 (Kosmarskaya, 2001, p. 63).

In spite of this, and other positive examples of employment politics, in Russian organizations, up to the present, poor workforce optimization remains one of the main reasons determining low organizational productivity. The American consulting firm “McKinsey” rated the reasons for this as fol-
follows: 1) ineffective management; 2) the surplus of employees in organizations; 2) low investment policies, influencing on technological re-equipping (Mazin, 2002, p. 177). The problem of ineffective employment politics, as a tendency, concerns large Russian enterprises and is related to their linear-functional organizational structure (Buzanovskiy, Gorelov and Kraskovskiy, 1999.)

The mobility of employees in Russian organizations up to the present continues to have a voluntary nature without being connected to the personnel-management department’s activity. For example: at Tumen Enterprises the number of employees working on forced, partial employment decreased by a factor of three between 2000 and 2004 and the number of the employees being in forced vacancies (suggested by the administration and factually non-remunerated), by a factor of two (Chujkova, 2005, p. 11). This evidence confirms the continuation of the practice of indirect dismissal of surplus personnel taking place in Russia, without any relationship to the activities of the human resource management department. As a consequence of ineffective management, including ineffective human resource management, in Russian organizations about 10% of employees are not involving in productive activity (Chujkova, 2005, p. 9.)

Investigations comparing the widespread Russian economy and management were based on the neo-liberal ideas prevailing in Russian politics during a considerable part of the Transition Period. This followed the critical evaluation of the results of the privatization process. The privatization and capitalization of property in Russia, particularly for a considerable portion of the Russian enterprises, didn’t change the negative dimension in the development of the Russian economy, related to high transaction costs, including managerial ones (Andreff, 2003). This can be confirmed by the database of cumulative privatization income, which was lowest in Russia compared to all other post-communist countries (Roland, 2000, p. 553).

Western specialists are demonstrating, using different databases, that the so-called “Bolshevik style” of restructuring of Russian enterprises did not followed the development of efficient corporate governance (Clarke, 1996; Standing, 1996; Roland, 2000; Andreff, 2003, 2005). Privatization can transfer title to assets, but it cannot itself transform those assets into capital (Clarke, 1996, p. 39). So, the difficulties related to the transformation of Russian enterprises to market units being determined to a considerable extent by short-termism, opportunism of Russian managers, stake and share holders, led first of all to hybrid forms of privatization in Russia, leading a high degree of uncertainty (Standing, 1996, pp. 49-50). In its turn that determines the difficulties of the application of a market management culture, including effective human resource management practices.
So, workforce optimization, as one of the cornerstone components of personnel restructuring, was not, as a tendency, the priority of business activity of Russian HRM departments during restructuring of enterprises. For further analysis of the weak business activity and consequently, the weak organizational status of human resource management departments in Russian organizations during the Transition period and its consequences up to the present, it is necessary to analyse wage policies, which the dynamics in Russia also characterized by the implementation of flexible patterns. Wage policies in Russia were dependent on the success of workforce optimization. Hence, financial flexibility, widespread in Russian enterprises, also reflects the peculiarities of the dynamics of Russian labour market.

Financial flexibility, besides its positive outcome for large profitable, small and business services enterprises, served as a significant adaptation measure, oriented to the weakening of rate of unemployment. This mechanism had different forms in Russian organizations, including wage arrears and hidden wages. Wage arrears, were caused by economic circumstances: the price of energy, economic disorganization, etc, but were also a result of employer preference – preferring to pay late, rather than to dismiss surplus employees. Since many Russian employees preferred an unpaid work situation, rather than dismissal (because of the undeveloped unemployment benefit scheme and because of the difficulty of finding another job in the unstable labour market), they colluded in this exploitation. At the beginning of 1993, according to the database of the Russian Centre for Researching Public Opinion, 11% of respondents didn’t receive wages for the previous month; in 1996-1997, more than 50% of respondents did not, by the middle of 1998 this amounted to 66%. By 1998, wage arrears in Russia totaled 50 trillion roubles (Berglof, Vaitilingam, 1999, p. 38).

The share of income in Russia covered by wages was 69.9% in 1992. By 1998 this had dropped to 41.4%. In developed countries this index is nowhere else below 60-70% (Gukov, 1991, p. 101). The wages of employees in such situation were not determined by the real costs of labour in most Russian enterprises. This conclusion can be confirmed indirectly by the proportion of the respondents satisfied, or non-satisfied by their wages. 50% of respondents found their wages not enough for their primary needs, only 10% of respondents considered that they were receiving wages that were more than for primary needs satisfaction (Buzanovskij, 1999, p. 205).

The hidden wages, as the other type of adapted financial mechanism of wage regulation, have in Russia different forms (Kapelushnikov, 2001, p. 130):

- the camouflaging of wages under other types of personal income ;
- compensation by cash-payment ;
- the income from unregistered individual business activity.
In 1993, the share of hidden wages in the GDP amounted to 5.3%; in 1995-1999 it was 12%; in 1993 was 20%, and in 1995-1999, it reached 40-50%. As a result, during 1996-1998 labour costs were 20-25% cheaper than contracted agreements (Kapelushnikov, 2001, in Maleva, ed., p. 61).

This evidence concerning total wage arrears, relates to the end of the Systematic Transformation, when the most of Russian enterprises were privatized. So, in spite of the implementation of contractual regulation of wages, replacing Soviet type of wage politics in Russian enterprises, it was characterised by the maintenance of non-monetary regulation of the wages. As a consequence of wage arrears practices taking place at many large joint-stock enterprises, by the end of the 90s, such enterprises were characterized by non-monetary (non-market) employment relations. This can be confirmed by the questioning conducted by the Russian Economic Barometer (see table 4).

Table 4 – The main negative consequences of delay the wages at Russian enterprises (two hundred Russian directors participated in the polling, conducted by Russian Economic Barometer, %).

<table>
<thead>
<tr>
<th>Consequences</th>
<th>All respondents</th>
<th>The directors of enterprises-defaulters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lose of best personnel</td>
<td>69</td>
<td>72</td>
</tr>
<tr>
<td>Degradation of labour discipline</td>
<td>55</td>
<td>57</td>
</tr>
<tr>
<td>The worsening of relation between personnel and administration</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>The decreasing of labour productivity</td>
<td>38</td>
<td>35</td>
</tr>
<tr>
<td>The worsening of enterprise image</td>
<td>27</td>
<td>24</td>
</tr>
<tr>
<td>The difficulties related to personnel recruiting</td>
<td>17</td>
<td>23</td>
</tr>
<tr>
<td>The instabilization of status of an administrative authority</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>The threats of strikes</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>The worsening relations with legal and regional authority</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>The other consequences</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>The absence of negative consequences</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>


The instability of the labour market and accordingly, the undeveloped price mechanism for work force evaluation at Russian enterprises, were reflected also in differentiation of wages and number of employees in different Russian economic sectors. So, for example, in 1996 in light industry, wages...
were 48% of average wages in industry, whereas, in electrical engineering, they were 155% (Business economica, 1997-30.01, p. 11).

Overall, the hidden unemployment and the wage arrears, taking place in a considerable proportion of Russian enterprises, demonstrate that the methods of regulation of unemployment in Russia, during Transition, didn't correspond to the neo-liberal ideas, which were prevailing in Russian politics. Accordingly these ideas unemployment in Russia should be a direct result of the privatizations, de-monopolization and spread of competitiveness, the increasing of the effectiveness of industry production and also as a consequence of the transformation of hidden unemployment to open unemployment.

The limited nature of market regulation of Russian employment relations, adopted during Transition, continuos to exist in Russian enterprises up to now. For example, at considerable number of Russian enterprises the information concerning the possibility and the methods of the career promotion of the employees isn’t widely spread. Thus, according to the results of the analysis of organizational culture during the transformation of Russian economics, 77.9% of respondents are not informed about possible career change. Only 18% of respondents are informed about new vacancies at their enterprise and the requirements for its possible occupation (Kozlovskij, 2005, pp. 17-18.) 32% of employees, aged 23-35, did not change jobs for more than six years (Ksenofontova, 2005, pp. 13-14.)

Gladstone, Wheller and Rojot (1992) analysed patterns of flexibility in labour market in different countries and the obstacles preventing its spread in different labour markets, including Russia. Among the obstacles noted were (Gramastski, 1992, p. 164):

- an underdeveloped state employment service, especially in the field of retraining displaced personnel;
- the tradition of sectoral decisions concerning employment policies;
- difficulties for the regional mobility of Russian employees because of the variety of the quality of the life on dependence of region;
- problems concerning the finding new housing: the exchange of housing in Russia is extremely underdeveloped;
- job rights are not supported by an adequate social institutions and infrastructure;
- the financial base for the functioning of employment services isn’t clear.

Possible directions of changes in the Russian labour sphere include facilitating the development of market labour relation flexibility with an accent on the organizational level, in addition to macro-social level of its regulation already included (Wheeler, 1992, p. 28):
• decreasing of labour costs based on three dimensions:
  
a) non-wage costs must be decreased to discourage overhiring;
  
b) wage distinction in favour of wage policies at the enterprises of heavy industry must be eliminated;
  
c) regional and occupational wage distinction should be strengthened according to the regional or enterprise needs;

• the conditions of employment must be changed for the protection of job security in different forms;

• changes are needed in organization of work practices including the increasing of work group autonomy;

• the rules and work regulations should be changed;

• labour mobility to be further increased;

• education and training to be changed so that the match between vocational and other training and an organizational efficiency is improved.

The dynamics in personnel-management functions in Russian organizations

Thus, the difficulties concerning the development of the Russian labour market are related to macro-economic instability and rooted in Soviet employment policies, opposite to market tendencies in employment relations. The contradictory nature of such processes is reflected in the fact that, in spite of replacing the rigid Soviet employment relations, mobility and flexibility in the Russian labour sphere are characterized up to the present by conservative methods of labour regulation, related to the results of the transformation of the activity of Russian HRM departments and its organizational status (see table 5).
Table 5 – HRM menu in Russian organizations: positive and negative tendencies

<table>
<thead>
<tr>
<th>HRM issues</th>
<th>Positive tendencies in Russian human resource management practice</th>
<th>Negative tendencies in Russian human resource management practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Planning of human resource management programs</td>
<td>Strategic integration between HR and business issues, consequent on the relation to personnel as a key strategic resource and investment, which is taking place mostly at Russian joint-ventures, small business enterprises in organizations with high technologies, service enterprises.</td>
<td>The absence of clear and strategic programs of human resource management, it doesn’t exist in a written form at most of Russian state and share-holders enterprises.</td>
</tr>
<tr>
<td>2. Selection and recruiting procedures</td>
<td>Development of business services in personnel recruiting, adaptation of market methods in recruiting procedures, the implementation of contractual labour relation.</td>
<td>Keeping the tendency of informal relations (friends, relatives) in recruiting procedures, career promotion; competency-based approach is mainly using during recruiting procedures without its systematical implementation in appraisal, training and career development of personnel because of the difficulties in implementation of market competitiveness in functioning of Russian enterprises. The gap between personnel employment and personnel formation. About 50% of post-graduated (final) students in Russia are working without connection with received education.</td>
</tr>
</tbody>
</table>
| 3. Performance appraisal                        | The adaptation of market methods in personnel appraisal, the shift from relationship – oriented appraisal to task-oriented one, the implementation of performance management by improvement of organizational culture, basing on such personnel management activity as: quality, customer satisfaction, team-working; innovations, related to the implementation of flexible work practices. | Appraisal of personnel, basing on prescriptive orientation versus achievement one; subjective intensity in personnel-appraisal, weak activity in implementation of market methods in appraisal of personnel-competency such as:  
• basing on job-analysis;  
• management by objectives;  
• accenting attention on the appraisal and development the personal features, demanded in market economics in comparing with socialist ones, including: ability to take initiatives; customer ability; ability to communicate, etc. |
<table>
<thead>
<tr>
<th>HRM issues</th>
<th>Positive tendencies in Russian human resource management practice</th>
<th>Negative tendencies in Russian human resource management practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Training and Human resource development</td>
<td>The implementation of the tradition of investment in employees skill, taking place in small business, services enterprises; The adaptation of market methods of personnel training at profitable Russian firms and using external training audit.</td>
<td>Low regulation of training and development of employees; weak government legislation of personnel training and development; its are not integrated efficiently with organizational business, because a lot of Human resource departments in Russian organizations haven’t strong strategic position; low representation of HR specialists on the board of directors; low activity concerning the involvement and responsibility of management the employees at all levels of organizational hierarchy. Weak activity concerning the adaptation of market methods of evaluating training and personnel development, following market competitiveness.</td>
</tr>
<tr>
<td>5. Compensation and rewards</td>
<td>The implementation of flexible remuneration of personnel, including: pay-related performance, sharing schemes, gain-sharing plans, the payment by competences.</td>
<td>The keeping of Soviet methods of defining the basic wages, following &quot;edinaya tarifnaya setka&quot; in state organizations and joint-stock enterprises for main part of employees; The low index of wages in Russia in comparing with most post-socialist Central European countries, consequented by low index of unemployment and cheaping of work forces in Russia because of mentioned and other reason. The spreading of instrumental labour motivation among considerable part of employees, which is characterized by the evaluation of work and labour as a measure for survival.</td>
</tr>
<tr>
<td>6. Career development</td>
<td>The adaptation of transparent methods in personnel career development.</td>
<td>The absence of clear criteria, regular career plans and schemes for personnel career development at most of Russian enterprises</td>
</tr>
</tbody>
</table>
The contradictory nature of the implementation of flexible work patterns in the Russian labour market can be demonstrated by the reference to the investigation of the capacity of the Russian population for adaptation to a market environment (Avraamova, 2002). This empirical study on the database of 4000 households showed the limited utilization by the Russian population of all forms of adaptation including: educational, professional, informational-cultural, and social capital (see table 6).

Table 6 – Coefficients of liquidity of adaptational resources in Russia during Transition

<table>
<thead>
<tr>
<th>Adaptational resources</th>
<th>Index of resource liquidity</th>
<th>Economic dimension</th>
<th>Social dimension</th>
<th>Economic and social dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational capital</td>
<td>0.34</td>
<td>0.41</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>Professional capital</td>
<td>0.33</td>
<td>0.41</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>Information-cultural capital</td>
<td>0.39</td>
<td>0.45</td>
<td>0.35</td>
<td></td>
</tr>
<tr>
<td>Social capital</td>
<td>0.32</td>
<td>0.41</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>Overall adaptational resources</td>
<td>0.37</td>
<td>0.46</td>
<td>0.34</td>
<td></td>
</tr>
</tbody>
</table>


The coefficient of liquidity of adaptational resource was calculated using the next formula (Avraamova, 2002, p. 58):

\[
C_1 = \frac{N_B + 0.5N_C}{N_R}
\]

- \(C_1\) is the coefficient of liquidity of adaptational resources;
- \(N_B\) is the number of respondents with a high degree of adaptational resource (R), simultaneously with either a high social status or high living standards or a high overall level of adaptation;
- \(N_C\) is the number of respondents with a high degree of adaptational resource (R), simultaneously with either an average social status or average living standards or an average level of adaptation;
- \(N_R\) is the number of respondents with a high degree of adaptational resource (R).

This investigation demonstrated that Russians, even those possessing relevant resources under the current socio-economic condition, have difficulties in their utilization, even after more than 20 years of market reform. The
probability of efficient utilization of each resource doesn’t even reach 50%. It confirms that in modern Russia the mechanism of social mobility, which supposes the existence of close relationship between education, skill, financial and status reward is absent.

**CONCLUSION**

The market logic of economic development requires the overcoming of Soviet-style employment in Russian organizations, but this economic purpose was constrained by Russian societal background, rooted in the Soviet period of development. The process of overcoming of Soviet heritage in employment relations in Russian organizations was restricted to a considerable extent by the political orientation of Russian governments during the long period of Transition, determined by the necessity of maintaining social stability by the enforcing hard market tendencies.

Work force optimization, work organization and work compensation were being, and continue to be, an important indicator of market transformation in HRM practices in Russian enterprises. The process of work force optimization was basic among the other dimensions of personnel structure restructuring. That is explained by the necessity to overcome the Soviet tradition of employment policies oriented to the retention of surplus personnel and as a consequence of that orientation, the absence of effective systems of personnel motivation. The restructuring of Russian enterprises towards the market should be accompanied by the adaptation of market competitiveness, based on organizational efficiency including the application of organizational governance and employment policies oriented to pay-related performance, competency-based management, and career development.

The rate of the growth of unemployment in Russian organizations reflected “the shift” tendencies of the Russian labour market. Instead of high rates of unemployment, awaited as inevitable, organizations adopted the use of forced vacancies, part-time working, wage arrears, and low salaries. That’s why, instead of reducing labour costs, the increasing of labour utilization, following “the hard version” of the linkage between HRM and flexibility and more fulfilling jobs, following “the soft version” of such linkage (Bluyton, Morris, 1992, p. 117), the restructuring of Russian labour market had mainly adaptational nature during Transition.

As a consequence of common institutional instability, characterized by undeveloped financial markets, weak investment activity in Russia, etc., the Russian work force, as a tendency, isn’t seen as a market commodity in the Russian economy up to now. This conclusion can be confirmed by the negative outcomes of flexible work practices in Russia up to the present and is reflected in
aggregated indexes of human capital development and the possibility of adaptation of all resources for Russian population in current social conditions.

Because of the short period of Transformation, the social consequences of the Soviet economics system, instability of market institutions and the mobility of employees, widespread in Russia from the beginning of privatization, was accompanied by the spreading of flexible work practices, characterized as one-sided oriented, mainly in favour of the employers. Such a conclusion can be argued by the different database of empirical research, including such indirect ones as the possibility of utilization by the Russian population of educational, professional, informational-cultural and social capital. The probability of efficient utilization of each resource by Russians after ten years of market reform doesn’t even reach 50% (Avraamova, 2002, p. 59).

About 50% of Russian final-students don’t work following their diploma specialization. This fact, in addition to the other ones, is demonstrating that the labour market in Russia is not balanced in favour of market tendencies. Consequently, the unbalanced nature of the labour market in Russia leads to the limitation of market technologies in the management the employees, especially of such basic ones as motivation, appraisal and development. The segmentation of the Russian labour market, as a result of its dynamics during Transition, has led to the disappearance of internal markets in favour of external ones.

Hence, overcoming the negative tendencies in the development of flexible work practices in the Russian labour sphere requires management based on competencies and, consequently, in favour of human capital development. That may be the next “step” in the Transformation of the Russian labour sphere, developing mobility and flexibility. This requires HRM departments at all its functional levels to work towards the transformation of labour markets to fit market institutions. Such transformation is possible in the case of the adaptation of market criteria in Russian human resource management departments. That in its turn should be followed by the establishment of internal labour markets in Russian organizations.

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