EVALUATING THE EFFECT GIVEN TO THE ILO MNE DECLARATION IN THE RUSSIAN FEDERATION[1]

(Final Report)

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1. Introduction

At its 204th session held in November 1977, the International Labour Organization adopted the Tripartite Declaration on Principles Concerning Multinational Enterprises and Social Policy. Subsequently, the Declaration was amended at the 278th session in November 2000 and the 295th session in March 2006.

The principles are intended to offer guidelines to governments, employers' and workers' organizations, as well as Multinational Enterprises (MNEs) in maximizing the positive contribution MNEs and companies with foreign participation can make to economic development of both host and home countries. The Declaration covers four major areas, such as employment creation; skills training and retraining; conditions of work and life; and industrial relations and promotion of social dialogue.

The multinational corporations play an important role in the economy of many countries and are important agents of economic relations in the modern world. The role of MNEs in expanding the frontiers of globalization raises both opportunities and challenges for all stakeholders and participants in social partnership: governments, employers and workers and their organizations. By seeking a more efficient use and application of capitals, know-how transfers and skills development, MNEs are capable to bring benefits to host and home countries. As an integrated element of national development policies designed and implemented by host countries' governments, MNEs can contribute to modernization of economy and higher competitiveness, a more balanced economic development of territories and enhanced opportunities for employment and higher living standards for the population. There are also opinions that MNEs exercise positive influence on human rights situations, including the right to organize, which is particularly important for the developing countries and countries in transition.

However, many also point out to potential abuses that MNEs could be inclined to, given the concentration in their hands of huge resources generated by globalization. Such threat may aggravate the conflict between MNEs' activities in the hosting countries and goals and objections of national policies and workers' interests. MNEs' varied activities and their consequences, impossibility to timely track down changes ongoing in their structures and priorities, all are causes of concern either in host countries or in home countries, or in both at the same time.

Discussions on the role of MNEs have tended to be quite emotive and ideologically opposite. On the one hand, there are those who see foreign capital and MNEs as a threat to national development, while other see in the attraction of foreign capital and technological innovation associated with MNEs a key factor of socio-economic development in countries that are faced with lack of financial resources and capital of various forms. However, the fact is that governments in many countries undertake active steps to encourage inflow of direct foreign investments making

[1] We would like to extend our gratitude to all enterprises and companies that participated in the survey, with OAO Norisk Niquel, ZAO Alcoa Metallurg Rus, ZAO Liggett-Ducat, OOO SABMiller Rus, OOO Eldorado, OAO Elinar Holding, OAo Podolsk Machine-Building Plant, OOO Dymov Sausages, OOO Avon Beauty Products Company, OOO Danone Industries among them.

thus the role of multinational corporations more visible and the MNEs most noticeable actors at the current stage of globalization.

The ILO Declaration on Multinational Enterprises and Social Policy does not aim at putting an end to the continuous debate, but promotes the principles that open up a unique opportunity for all stakeholders for maximizing benefits from and minimizing negative consequences of MNE to national economies.

Since the adoption of the Declaration, the ILO has been regularly carrying out surveys to evaluate the effects of the MNEs' role in various countries of investment, as well as the observance of the principles embedded in the Declaration by the parties to social partnership. 8 follow-up surveys have taken place with a focus on the effects the hosting countries undergone in such areas as employment, skills training and retraining, conditions of work and industrial relations.

MNEs also play a significant role in the economies in transition. It is they that have to a large extent predetermined the integration of many countries into the global economic system. MNEs have been a key factor in re-shaping and expanding employment pattern, in the extraction and utilization of natural resources, design and introduction of technological innovations, in developing skills and qualifications of workers and have contributed to an increased well-being of population. Russia is no exception in this regard, though it has its specifics and particularities. This report covers the results of a study sponsored by the International Labour Organization. Its findings will serve for further promotion and implementation of the MNE Declaration principles both in Russia and abroad. The study was implemented in several phases. The first phase resulted in the preparation of a draft report that was discussed at a workshop held at DWT/CO in Moscow on October 26, 2010.

This report is based on official statistics provided by Russia's Statistics Committee (Rosstat); analytical materials made available to the independent researchers and the data obtained in the course of expert surveys based on questionnaires adapted to the Russian context. Five questionnaire versions were developed for the polling of governmental structures, multinationals, big Russian companies, employers' and workers' organizations. Participating in the poll were governmental officials from the Ministry of Health and Social Development and the Ministry of Economic Development, representatives from the Union of Russian Industrialists and Entrepreneurs (RSPP), the Federation of Independent Trade Unions of Russia (FNPR) and alternative unions (KTR, SOTSPROF, ROST). With RSPP assistance, relevant questionnaires were sent by e-mail to 25 MNEs that had given their previous consent to participate in the survey. Five foreign corporations (4 retail trade chains and 1 bank) declined to participate at the stage of initial consultations.

At the workshop held on October 26, 2010 at the DWT/CO Moscow following recommendations were formulated.

With regard to the focus of the survey:

1. Make comparisons of social and labour practices of big foreign and Russian companies.

2. Put a maximum emphasis on skills and professional capacity development of employees, on training and re-training methods and practices in situations of economic restructuring.

3. Describe specific behavior of MNE in conditions of economic decline, in particular their involvement in the realization of additional activities on the labour market to retain employees, including participation in the state-supported programs for skills re-training.

With regard to the investigation methods:

1. Use to the maximum extent information available from non-financial reports made public by many big Russian and foreign corporations at the RSSP's web-site.

2. Expand information obtained from the questionnaires filled in by companies by adding data from direct interviews with management representatives who are responsible for social and HR corporate policies.

The results of the MNE feedback were disappointing, for only one filled-in questionnaire has been found to be fit for analysis. However, with the help of the Federal Service for Labour and

Employment (Russia's PES) the researchers have been given an opportunity to conduct targeted interviews with management representatives of 16 foreign and Russian companies operating in various sectors of Russian economy. The companies break-down by sector is as follows:

Food industry: three foreign and two Russian companies (1 – 5)

Finance: two foreign and two Russian companies (6 – 9)

Chemicals: one foreign and one Russian company (10)

Mining: one foreign and one Russian company (11 – 12)

Machine-building industry: one purely Russian company and one joint venture (with headquarters in Russia and the foreign partners playing a leading role in implementing corporate practices and culture) (13 – 14)

Trade: one company registered in Russia, but jointly owned (15).

In the course of preparation of the final report, two additional interviews were conducted with officials of MoHSD's Department of wages, OSH and social partnership and of the national PES.

2. The Social and Economic Context in which MNEs Operate in the Russian Federation

The actively unfolding globalization processes in the world economy over the past two decades coincided in Russia, that has been making efforts to effect integration into the global economic community, with a radical reforming of its economic system coupled with a structural crisis and deep economic recession during the first decade of reforms. The 90ies witnessed a steady decline of GDP and even more drastic reduction of investment activity (Table 1).

Table 1

Dynamics of Russia's Global Domestic Product and Investments in Fixed Assets during the Economic Recession (in comparable prices, % to previous year)

Year	GDP	Investment
1990	97,0	100,1
1991	95,0	85
1992	85,5	60
1993	91,3	88
1994	87,3	76
1995	95,5	90
1996	96,6	82
1997	100,9	95
1998	95,1	88
1999	105,4	105

Source: Russia's Statistical Yearbook for 2001. Federal Service for State Statistics, 2002. Tabl.12.1, 22.2. pp. 279, 569.

At the lowest downturn of the crisis, Russia's GDP in real terms made up just 59.7% of the 1990 level, while investments into fixed assets fell to 21.0%, shrinking five-folds from the pre-reform level.

Unlike the Central and Eastern European economies in transition, Russia's employment rates showed no major decline in the 1990s, a mere 18% from the pre-reform level. That testified to a specific situation of "suppressed unemployment" in enterprises which retained their underemployed personnel at lowered pay: in the lowest year (1999) the real wages made up only 31.7% of the 1990 level.[2]

[2] Here and on, Rosstat data are used, if not indicated otherwise.

The market oriented reforms gave way to open unemployment. However, it was not as high as feared at the outset of the market reforms, reaching its maximum of 12.6% in 1999 and gradually diminishing every year until the times of the recent financial crisis.

The negative economic trend came to an end at the close of the 1990s, and the following decade saw Russia's GDP growth rate in a steady annual increase ranging from 5.6% to 10%. Investments grew even faster: between 2003 and 2008 when the recent economic crisis draw the economy into a recession, Russia's GDP in comparable prices grew by 41%[3] and surpassed the pre-reform level. Investments into fixed capital increased 2.2 times, apparently failing nonetheless to reach the pre-reform level of investment activity.

Table 2

Russia's GDP and Fixed Capital Investment Growth in 2000-2009
(in comparable prices, % to previous year)

Год	**ВВП**	**Инвестиции**
2000	110,0	117,4
2001	105,1	110,0
2002	104,7	102,8
2003	107,3	112,5
2004	107,2	113,7
2005	106,4	110,9
2006	108,2	116,7
2007	108,5	122,7
2008	105,2	109,9
2009	92,1	83,8

Source: Russia's Statistical Yearbook for 2010. Tabl.1.3 //http://www.gks.ru

Table 3

Employment and Unemployment in Russia in 1992-2010

	1992	**1993**	**1995**	**1998**	**1999**	**2000**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Employed (thou.)	71171	68642	64055	58437	63082	65273	67134	68603	69157	70814	70603	69362	69803
Unemployed (thou.)	3889	4305	6684	8902	9094	7059	5775	5208	4999	4246	5289	6162	5172
Unemployment rate (%)	5,2	5,9	9,5	13,2	12,6	9,8	7,9	7,1	6,7	5,7	7,0	8,2	7,5

Source: Russia's Statistical Yearbook for 2010. Tabl. 5.1-5.2 Employment and Unemployment in the Russian Federation in December 2010 (employment survey) //http://www.gks.ru

Employment variance in both periods of recovery and decline was less considerable than GDP changes. The number of employed increased by four and half million, or 6.9%. Throughout the time of market reform (1992-2009) the number of employed in the Russian economy diminished by nearly 1.5 million persons (the 2009 crisis fall included), or nearly 2%. (Table 3).

[3] Rosstat data for 1996-2002 are not comparable with the data for the following years.

Table 4

Labour Productivity by Types of Economic Activity (% to previous year)

Type of economic activity	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Agriculture, hunting and forestry	105,6	102,9	101,8	104,3	105,0	110,7	105,0
Fish-catching, fish-breeding	102,1	104,3	96,5	101,6	103,2	95,5	109,2
Mining	109,2	107,3	106,3	103,3	103,1	101,0	107,5
Manufacturing	108,8	109,8	106,0	108,5	108,4	102,6	96,1
Production and distribution of electric energy, gas and water	103,7	100,7	103,7	101,9	97,5	102,1	96,3
Construction	105,3	106,8	105,9	115,8	112,8	109,1	91,4
Wholesale and retail, repair of motorcars and motorcycles, electric appliances, etc.	109,8	110,5	105,1	110,8	104,8	108,1	92,1
Hotels and catering	100,3	103,1	108,5	109,2	108,0	109,2	87,1
Transport and communications	107,5	108,7	102,1	110,7	107,5	106,5	100,1
Real estate transactions, lease and services	102,5	101,3	112,4	106,2	117,1	107,9	96,7
Entire economy	107,0	106,5	105,5	107,5	107,5	104,8	95,8

Source: Russia's Statistical Yearbook for 2010. Tabl.1.5

The changes of GDP, employment and unemployment during the second decade of reforms speak out for a trend of improved labour productivity. According to Rosstat, its rate of growth amounted to 5% to 7% per annum between 2003 and 2008. A further study is needed to ascertain what factors enabled the growth, but it is clear now that productivity increased practically in all types of economic activity and in certain years exceeded 10% in the construction, retail and wholesale trade, transport and communication industries and in real estate transactions. The opposite was in 2009 when the crisis caused the decline in labour productivity throughout the entire economy and in almost all types of economic activity, except for the agriculture, fisheries, mining and transport and communications where growth remained stable (Table 4).

Throughout the entire period of reforms, the structure of employment in Russia by sector and type of economic activity was characterized by decreased numbers of people employed in the manufacturing sector (except for construction) and growing employment in the services sector and public administration (except for education). Over the past five years the share of the services sector, trade and transport and communications in aggregate employment increased from 55.5% to 62.4%.

It should be noted that enterprises with foreign capital play no significant role in employment changes in Russia. However, their share in employment slightly grew from 4.3% to 4.9% between 2005 and 2009, especially in the mining, manufacturing, electric power, gas and water production and distribution sectors where their share is now two-to-three times larger than in the economy as a whole (Table 5)[4].

Table 5

Employment Changes and Share of Multinational Enterprises by Type of Economic Activity

Type of Economic Activity	Number of employed, Thou. persons			Share in cumulative employment, %			Share of MNEs in sectoral employment, %		
	2005	**2008**	**2009**	**2005**	**2008**	**2009**	**2005**	**2008**	**2009**
Agriculture, hunting and forestry	7381	6675	6394	11,1	9,8	9,6	0,6	0,9	0,9
Fish-catching, fish-breeding	138	142	137	0,2	0,2	0,2	10,1	5,0	6,9
Mining	1051	1044	993	1,6	1,5	1,5	19,7	18,2	18,3
Manufacturing	11506	11191	10475	17,2	16,3	15,6	13,6	14,4	13,8
Production and distribution of electric energy, gas and water	1912	1884	1886	2,9	2,8	2,8	14,7	11,6	11,4
Construction	4916	5474	5320	7,4	8,0	7,9	1,0	1,5	1,4
Wholesale and retail, repair of motorcars and motorcycles, electric appliances, etc.	11088	12020	11867	16,6	17,6	17,7	1,9	3,4	3,7
Hotels and catering	1163	1274	1236	1,7	1,9	1,8	3,9	4,4	4,3
Transport and communications	5369	5451	5326	8,0	8,0	8,0	5,2	5,7	5,8
Real estate transactions, lease and services	4879	5146	5135	7,3	7,5	7,7	2,5	3,8	3,7
Education	6039	5980	5938	9,0	8,7	8,9	0,0	0,0	0,0
Healthcare and social services	4548	4666	4696	6,8	6,8	7,0	0,2	0,3	0,3
Other services	2460	2621	2613	3,7	3,8	3,9	1,3	1,5	0,9

Calculated on the basis of: Russia's Statistical Yearbook for 2010.

The unfolded economic crisis led to a new decline in both GDP and investment. It was accompanied with a rise in unemployment which nonetheless was not as high as it was in many European countries. As average throughout the economy, the unemployment rate in Russia was kept

[4] Comparison of the employment structure from the previous period is difficult due to the changes in Russian statistics since 2005 in economic activity classification principles: the ОКОНХ classification (sectoral) was replaced with ОКВЭД classification (by type of economic activity). The Russian statistics started providing data on employed in enterprises and organizations with foreign participation only since 2005.

roughly 2 percentage points less than in the '"eurozone" countries and 1 percentage point less than the average level in the OECD countries. It is worth, however, noticing that in Russia both in favorable and crisis periods the distribution of unemployment is extremely uneven by regions, and by areas within the latter. Problematic territories with very high levels of unemployment are, as a rule, the so-called "one company towns" and the rural areas.

3. Foreign Investment in Russia

Foreign investment has not played a notable role in the intensification of the investment process in Russia, although it tended to grow across the entire period on statistical record since 1995 (except for the years of crises of 1998-1999 and 2008-2009). (Fig. 1)

Because of a very high inflation in the initial period of reforms, the dynamics of foreign investment into Russian economy can be assessed only for the last decade. Thus, the share of foreign investment fell from 11.5% to 4.1% in 2000 to 2003, it slightly grew afterwards to reach 6.9% in 2004, 8.2% in 2005, 7.8% in 2006, 7.1% in 2007, 7.5% in 2008, and went down to 6% in the crisis year of 2009. However, throughout the reform period the share of direct investment tended to decline, while investments in the form of trade credits and other loans increased (Fig.2).

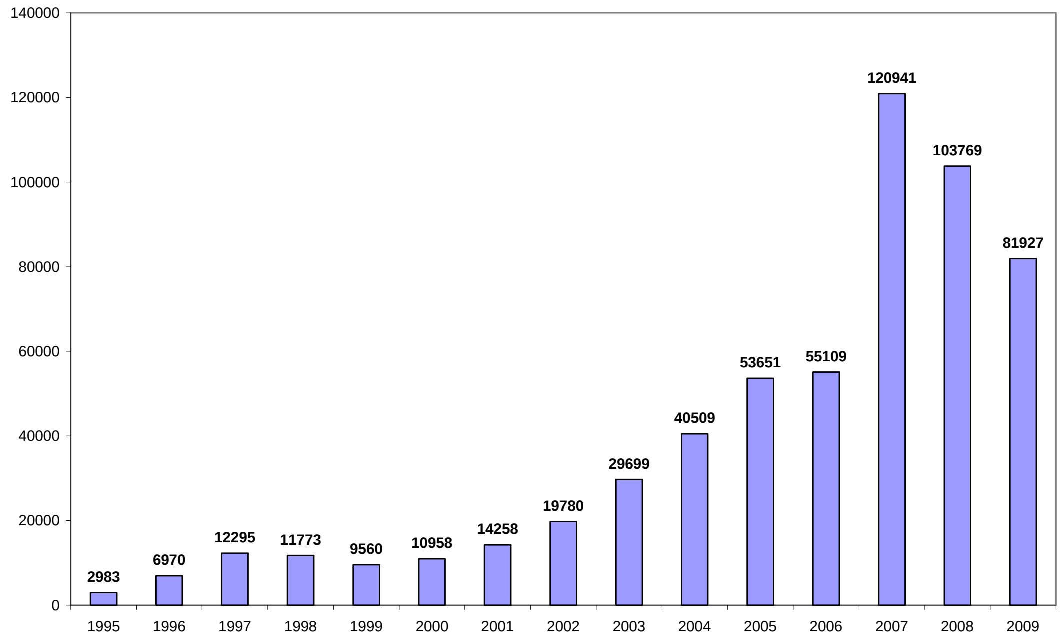

Fig.1. Foreign Investments in Russia (mln. US$)
(reaching 81,927 mln. US dollars in в 2009)

By the end of September 2010, the cumulative foreign capital[5] in the Russian economy amounted to $266.0 bln., that was 1.4% more than in the same period of 2009. The cumulative foreign capital largest share falls to other investments on repayable basis (54.6% against 55.7% in September 2009), while the share of direct investments is 41.4% (против 39.7%), and that of portfolio investments is 4.0% (against 4.6% as of end of September 2009).

In the first nine months of 2010, foreign investment into Russia's economy amounted to $47.5 bln., or 13.2% less than in the same period of 2009, which is a direct consequences of the

[5] Cumulative foreign capital is the total of foreign investments received (produced) by an entity from the beginning and considering repayment (write-off) and revaluation of assets and liabilities.

crisis. Its structure, however, remained practically unchanged, as shown in Fig. 2. It should be noted that both loans as a predominant investment element and direct investment contribute to modernization of the Russian economy. In many cases loans are extended for the purchase of up-to-date equipment operating under innovative technology. This investment modality is the safest one for a foreign partner and better guarantee for the money be safe and loans repaid.

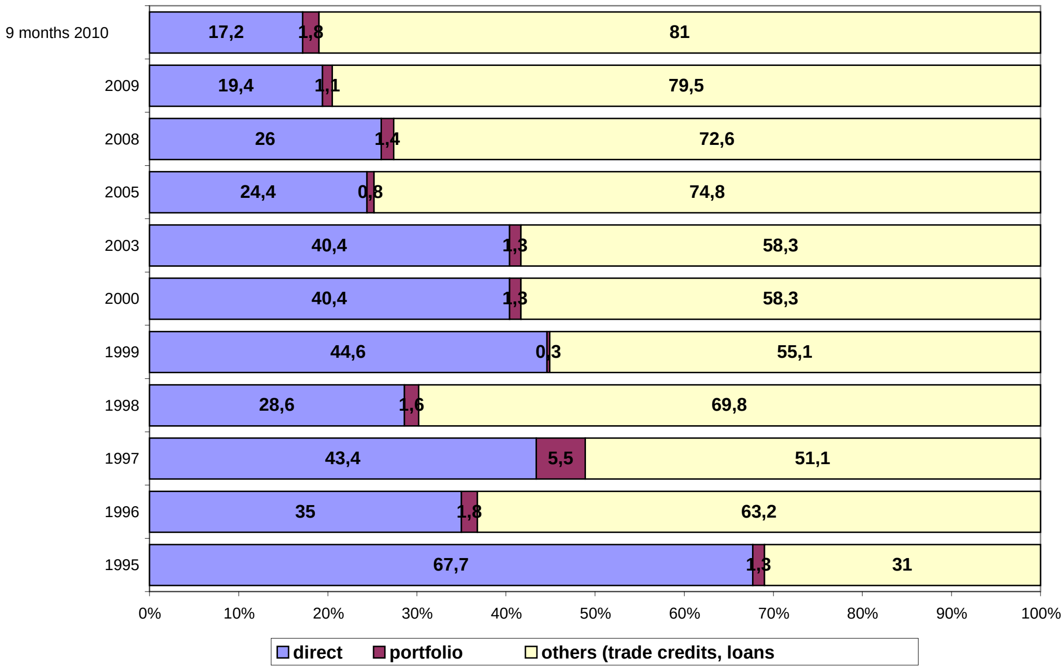

Fig.2. Structure of Foreign Investments in Russia (%)

(In the first nine months of 2010 the structure of foreign investment made up 17.2%, 1.8% and 81% respectively)

This modality is frequently favoured by affiliates and subsidiaries of major Russian companies registered in Cyprus, British Virgin Islands, Gibraltar and other offshore zones. In practical terms they thus repatriate their assets they had deposited offshore during the first decade of reform. (See Table 6).

Table 6

Accumulated Foreign Investments in Russia and Russian Investment Accumulated Abroad, main countries

Investment accumulated in Russia, end of September 2010	**Mln. US$**	**%**	**Investment accumulated from Russia, end of September 2010**	**Mln. US$**	**%**
Total investment	**265954**	**100**	**Total investment**	**71312**	**100**
By major investing countries, including:	220031	82,7	By major investment recipient countries, including:	62776	88,0
Cyprus	57600	21,6	The Netherlands	17745	24,9
The Netherlands	44184	16,6	Cyprus	16941	23,7
Luxemburg	32228	12,1	USA	6817	9,5

Germany	22656	8,5	Switzerland	6047	8,5
UK	18899	7,1	British Virgin Islands	5567	7,5
China	10543	4,0	UK	2975	4,2
Ireland	9467	3,6	Belarus	2890	4,1
Japan	8897	3,3	Австрия	1434	2,0
France	8211	3,1	Luxemburg	1396	2,0
USA	7346	2,8	Ukraine	964	1,3

Calculated on the basis of: Russia's Statistical Yearbook for 2010. Table 23.22 On foreign investment in January – September 2010. /Updated information on topical issues // http://www.gks.ru

It is evident from a 15-year statistical record of foreign investment in Russia that the list of the main investor-countries has undergone some changes. Even before 2000, Belgium, Sweden and Finland had slipped down the ladder gradually and ceased to be among the leaders. They were overtaken by countries with sizeable Russian capital, among them Cyprus, Germany, The Netherlands, Luxemburg, Great Britain, the British Virgin Islands, and, an increasing active in Russia, China. Standings have been kept on the list, albeit not at its top, by Switzerland and France. The United States that firmly headed the list before the new millennium is no longer among the leaders.

According to the Central Bank of the Russian Federation, since 2004 the outflow of direct investment from Russia is more than $10 bln. every year and even in the 2009 year of crisis it made up over $46 bln. (over $56 bln. in 2008)[6]. In 2007, Russia ranked second among the developing countries and countries with economy in transition by the amount of direct investment the Russian corporate sector exported abroad (over $145 bln., with China's Hongkong ranking first with more than $500 bln).[7]

According to Western experts' estimates, there were tens of thousands of companies with Russian capital in the offshore zones alone at the middle of the current decade. Russian cumulative investment in Cyprus, for instance, exceeded $17 bln in 2006, and over 4.7 thousand Russian offshore companies were registered in that island state.[8]

Table 7

Foreign Investment in Russia by Type of Economic Activity[9]

Type of economic activity	2003		2005		2007		2008		2009	
	Mln. $US	%	Mln. $US	%	Mln. $US	%	Mln. $US	%	Mln. $US	%
Agriculture, hunting and	154	0,5	156	0,2	468	0,4	862	0,8		

[6] Кузнецов А. Модернизация отечественной экономики: роль российских инвестиций за рубежом // Вестник ФГУ ГРП при Минюсте РФ, 2010, № 4.
[7] UNCTAD. World Investment Report 2006. United Nations, New York and Geneva , 2006. p. 19
[8] Либман А., Хейфец Б. Мировые процессы транснационализации и российский бизнес.// "Вопросы экономики", 2006, №12. С. 77
[9] The table refers only to types of activity that contain a noticeable foreign capital presence.

forestry									437	0,5
Mining	5737	19,3	6003	11,2	17393	14,4	12396	12,0	10327	12,6
Including:										
Extraction of fossil fuel	5149	17,3	5164	9,6	15860	13,1	9868	9,5	8294	10,1
Extraction natural resources, besides of fossil fuel	588	2,0	839	1,6	1533	1,3	2528	2,5	2033	2,5
Manufacturing	6522	22,0	17987	33,5	31948	26,4	33914	32,7	22216	27,1
Including:										
Production of food, including beverages and tobacco	1012	3,4	1210	2,2	2907	2,4	3974	3,8	2382	2,9
Wood processing and production of wooden articles	320	1,1	512	1,0	528	0,4	812	0,8	682	0,8
Paper production; publishing and printing	234	0,8	269	0,5	934	0,8	1336	1,3	1208	1,5
Production of coke and oil products	175	0,6	8113	15,1	4353	3,6	3272	3,2	5357	6,5
Chemicals	369	1,2	1440	2,7	1637	1,4	2518	2,4	1571	1,9
Production of производство резиновых и пластмассовых изделий	316	1,1	264	0,5	324	0,3	745	0,7	432	0,5
Production of other non-metal mineral products	215	0,7	640	1,1	865	0,7	1650	1,6	940	1,2
Production of steel and metal fittings	3071	10,3	3420	6,4	15229	12,6	14499	14,0	4494	5,5
Including steel production	2802	9,4	3087	5,8	14904	12,3	13977	13,5	4257	5,2
Production of machines and equipment	83	0,3	637	1,2	927	0,8	1089	1,1	1209	1,5
Production of electrical, electronic and optical equipment	131	0,4	162	0,3	276	0,2	731	0,7	976	1,2

Production of transportation means and equipment	192	0,7	948	1,8	3015	2,5	2857	2,7	2634	3,2
Including:										
Production of vehicles and прицепов и полуприцепов	173	0,6	863	1,6	2894	2,4	2557	2,4	2402	2,9
Production and distribution of electric energy, gas and water	35	0,1	328	0,6	822	0,7	3394	3,3	437	0,5
Construction	101	0,3	228	0,4	2911	2,4	3387	3,3	1012	1,2
Wholesale and retail, repair of motorcars and motorcycles, electric appliances, personal appliances	10527	35,5	20461	38,2	47310	39,1	23905	23,0	22792	27,8
Including:										
Sales, servicing and repair of motor-cars and motorcycles	179	0,6	219	0,4	518	0,4	2126	2,0	1739	2,1
Wholesale including agent sales, besides sales of motor-cars and motorcycles	10010	33,7	19574	36,5	45538	37,7	19915	19,2	20146	24,6
Retail sales, besides sales of motor-cars and motorcycles; repair of motorcars and motorcycles, electric appliances, personal appliances	338	1,2	668	1,3	1254	1,0	1864	1,8	907	1,1
Transport and communications	1114	3,8	3840	7,2	6703	5,5	4861	4,7	13749	16,8
Finance	781	2,6	1813	3,4	4450	3,7	4977	4,8	2658	3,3
Real estate transactions, lease and services	4583	15,4	2602	4,9	8414	7,0	15378	14,8	7937	9,7

Source: Russia's Statistical Yearbook for 2010. Table 23.20

As shown by Table 7, foreign investment in Russia follows clear-cut sectoral priorities which are largely conditioned by investment structures by sector and country. The largest proportion of foreign investment goes to manufacturing industries, with metallurgy at the top, wholesale, real estate transactions, mining, primarily for fuel and energy resources. Added to these recently, have been the transport and communication sectors. As a result, the same sectors and types of activity remain in the lead by amount of cumulative foreign investment. It is worth noticing that decline due to 2009 crisis did not affect the fuel and energy sector, wholesale, transport and communications. The latter two even experienced a larger inflow of foreign investment.

Table 8

Cumulative Foreign Investments in Russia by Type of Economic Activity, as of end of September 2010

Type of economic activity	Mln. $US	%
Agriculture, hunting and forestry	2242	0,8
Fish-catching, fish-breeding	133	0,1
Mining	48279	18,2
Manufacturing	82253	30,9
Production and distribution of electric energy, gas and water	5688	2,1
Construction	6161	2,3
Wholesale and retail, repair of motorcars and motorcycles, electric appliances, etc.	50732	19,1
Hotels and catering	687	0,3
Transport and communications	24683	9,3
Finance	11720	4,4
Real estate transactions, lease and services	30705	11,5
State governance and military security; mandatory social insurance	1102	0,4
Education	3	0,0
Healthcare and social services	160	0,1
Other utility, social and personal services	1406	0,5
Entire economy	**265954**	**100**

Source: Russia's Statistical Yearbook for 2010. Table 23.22 On foreign investment in January – September 2010. /Updated information on topical issues // http://www.gks.ru

Uneven territorial distribution is a specific feature of foreign investment in Russia.

The Russia's Central Federal District is the main recipient of foreign investment, invariably on the top of the standing, with Moscow getting its lion's share (55.4% in 2009 and 5.5% for the Moscow region.). It is followed by the North Western Federal District (11.2% in 2009), where St. Petersburg and the Leningrad region are the main recipients, although their share has somewhat dwindled over the last decade. Ranking third is the Far Eastern Federal District (9.8% in 2009), where the main inflow of foreign investment goes to the Sakhalin region (7.0%) in connection with the Sakhalin Energy Corporation's operations and to the Republic of Sakha-Yakutia (1.4%).

Over the recent years, new recipients of foreign investment emerged: the Kaluga region (1.4% in 2009) in the Central Federal District, the Republic of Komi (1.1%) in the North Western Federal District. The Siberian Federal District (3.3% of total foreign investment in 2009) has been left behind by the Urals Federal District and the Volga Federal District that got 6.8% and 6.4% respectively. The Southern Federal district that ranked third during the first decade of reforms, now rests at the bottom of the ratings list. What investment inflow persists goes to the Rostov region (0.9%) and the Krasnodar territory (0.7%).

4. Multinational Corporations in Russia
4.1. MNEs in the Making and their Progress in Russia

Integration of Russia into the world economy began already in the Soviet times. During the second half of the 80ies external economic activity grew increasingly, and on the eve of the break-down of the USSR the cumulative amount of foreign investments was estimated to be 3 bln. convertible rubles[10]. Transnational corporations started buying up big industrial assets in Russia as soon as the country launched its market reforms. At the same time Russian corporations sought access to mighty world alliances, and Russia's economic growth in the course of the second decade facilitated intensification of these processes. (Table 9)

New strategic approaches emerged in many sectors of the Russian national economy in response to the ongoing globalization and tougher world competition processes. Companies sought to pool their capacities and establish partnership relations with foreign counterparts in order to survive and possibly lead the market. Establishing partnership business relations between Russian and foreign companies and setting up business structures of different grades of integration have become one of the widely used organizational strategies in recent years. Since mid 80ies the number of such alliances grew by more than 25% every year.

Table 9

Changes in Number of Russian Entities with Foreign Capital (countries of near and far abroad)

	Number of entities with foreign capital				
	1998	**2000***	**2005**	**2008**	**2009**
Countries					
British Virgin Islands			880	1219	1312
Germany		1222	1332	1505	1597
Cyprus		1051	2043	3915	4545
China		966	1403	1352	1045
Latvia			383	467	450
Holland		310	412	549	597
Great Britain		756	910	908	884
USA		1394	1208	969	872
Turkey		420	635	751	738
Finland		612	547	563	542
CIS countries					
Belarus		350	720	1496	848
Ukraine		416	839	1032	1104
Kazakhstan		143	205	386	416
Total	**8835**	**9102**	**16196**	**19880**	**19852**

[10] By 1990, nearly 170 companies with capital of Soviet state entities operated abroad. Two third of them (64.3%) were registered in Western Europe; 14.4%, in America, 13.3% in Asia, 4.3% в Африке, 3,7% in Australia. The total amount of Soviet investments in those companies was estimated at 2 – 2.5 bln. $US. (Оболенский В. Формирование внешнеэкономической специализации России (XX - начало XXI века). М.: ИМЭМО РАН, 2005. С. 57,92; Гохан П. Слияния, поглощения и реструктуризация компаний // Вопросы экономики. 2005. № 2. С. 146-147)

**2000 data are given as of 1January 2001*

Source: Russia's Statistical Yearbook for 2010. Tabl.12.9-12.11

MNEs were attracted to Russia by prospects of accessing new markets and relatively cheap resources, as well as by possibilities to overcome trade and investment barriers.

At present, the organizational and structural specifics of MNEs differ, since all sorts of MNEs have operated and are operating in Russia. At the outset they were mostly bound by transnational agreements in the form of strategic alliances of two or more companies consenting to joint decision-making, management and coordination of strategically important directions of the international business activities of each partner for the purpose of achieving joint objectives. Later, better integrated forms came forward based on corporatization mechanisms.

There are several clearly indentified principles that MNEs are being guided by in their activity, i.e. corporate integrity, strive for achieving the strategic objectives common for all units and divisions, single control center and unified management vertical (with varying degree of flexibility). MNEs operating in different regions have sought to involve the management of their affiliates in adaptation of their products and marketing strategies to local conditions.

MNEs more often engage small and medium businesses in their activities on the basis of direct functional linkages, i.e. through technological development, specialization, cooperation, and organization of sales, thus facilitating economic advancement, changing the economic patterns of the host country and modernizing its participation in world economic relations. It is quite possible to state that MNEs have contributed to a great extent to modernization of country's industry and economy and given impetus to further advancement of scientific innovations that stimulates research and technological progress, ensures better quality of products and improved manufacturing efficiency ensuring high level of quality and efficiency of production.

One more particularity of the "transnationalization" of Russian economy over the last decade should be noted. Through rapid and large-scale accumulation of capital Russian enterprises gain a sturdy corporate and financial foothold for launching new multinational companies capable of large-scale expansion of production and commercial activities abroad. Thus, only few Russian corporations could be categorized as transnational in the 90ies, and just in some recent years, dozens of big Russian companies created enterprises abroad. The relatively young Russian capital demonstrates high mobility and aggressiveness in foreign markets. Russian companies have been included in international listings and ratings and are now active players in the global business field transforming themselves into multinational corporations.

Some Russian and foreign sources provides different estimations on numbers of MNEs of Russian origin varying from 20-25 to above 100.[11] Judging by the incomplete data of the Russian register of foreign companies, as of January 2006, 620 enterprises were created abroad in 29 countries, Austria, China, Germany, Poland, Finland and USA among them. Such data are in serious conflict with international statistics and data of international financial institutions, according to which the number of similar companies in off-shore zones only amounts to several tens of thousands.

All sorts of MNEs operate in Russia at present: affiliates and subsidiaries of foreign transnational corporations, Russian giants with affiliate companies abroad and enterprises with mixed capital from other countries and former soviet republics. Regrettably, Russian statistics fail to provide sufficient data for drawing distinct lines of structural division between these groups and

[11] Кузнецов А. Структура российских прямых капиталовложений. // "МЭ и МО", 2007, № 4. СС.69-70; Кучеренко А. Транснациональные компании России в условиях интеграции в мировое хозяйство. - М.: 2006. С. 51; Кузнецов А. Интернационализация российской экономики. Инвестиционный аспект. - М.: 2007. СС. 152-154; F. Benaroya. L'economie de la Russie, Paris, "La Decouverte", 2006. P. 67

identifying their specific features and dynamics. The Russian Statistical Service (Rosstat) generally defines MNE as an enterprise with foreign participation, and this definition gives room for including into this category local enterprises with small amounts of capital provided by foreign investors. Such methodology allows only for a very general review and limits researchers' possibilities to make a detailed analysis of economic and social impact of MNEs on national economy. It is precisely the general overview that will serve as a baseline for the present study.

4.2 Specific Features of MNEs' Involvement in Modern Russian Economy

Distribution by type of activity

Companies with foreign capital are present in Russia practically in all spheres of activity and their number is growing. At the end of 2009 there were 19,852 such organizations in the country, or a quarter more than in 2005 and over 2 times more than at the turn of the century. Most of them are registered at the sectors that are the recipients of the bulk of foreign investment, i.e. wholesale and retail trade, manufacturing, real estate transactions (Table 10).

Table 10

Distribution of Enterprises with Foreign Capital by Type of Economic Activity

end of 2005, 2008 and 2009 (%)

Type of economic activity	**2005**	**2008**	**2009**
Wholesale and retail trade, repair of motor vehicles, motorcycles, electric appliances and personal items	31,5	31,6	31,0
Manufacturing	22,9	20,8	18,7
Real estate, lease and services	19,4	20,6	21,6
Transport and communications	7,9	7,7	6,5
Construction	4,5	5,3	6,2
Agriculture, hunting and forestry	2,7	3,1	3,3
Hotels and catering	2,5	2,4	2,8
Mining	1,7	1,9	2,2
Other public, social and personal services	1,9	1,7	1,6
Production and distribution of electricity, gas and water	1,3	0,9	0,9
Health and social services	0,8	0,8	0,7
Education	0,5	0,3	0,2
Fish-catching and fish-breeding	0,3	0,2	0,2

Calculated on the basis of: Russian Statistical Yearbook - 2010. Tabl.12.9

In 2005-2009 a growing number of enterprises with foreign capital was observed even in those sectors where fewer of them had been in evidence earlier: in agriculture (almost 2 times more), mining (more than twice), production and distribution of electricity, gas and water (by 8.2%), health and social services (by 34%). When evaluating these data, it should be borne in mind that 2008-2009 were a crisis for Russian and global economy.

However, different role of contributions on the side of partners from the CIS countries and other foreign countries in the above mentioned increase, depending on type of economic activity, should not be overlooked in the number of enterprises with foreign capital (Table 11). Thus, a significant increase in the number of enterprises operating in the mining industries was predominantly linked to partners from “far-abroad” countries. In manufacturing industries, as well as in the production and distribution of electricity, gas and water supply the situation is different. Partners from abroad are actively present here for a long time, whereas former Soviet republics, now neighboring countries, are rapidly catching up and increasing their capital. At the same time, some developed nations are scaling down their activities (e.g., Britain and the USA in manufacturing area, Finland and Switzerland in the electric power, gas and water production and distribution sector).

Table 11

Number of Enterprises with Foreign Capital by Industry and Investing Country (end of year)

	Mining			**Manufacturing**			**Production and distribution of electricity, gas and water**		
	2005	**2006**	**2007**	**2005**	**2006**	**2007**	**2005**	**2006**	**2007**
Azerbaijan	-	1	1	13	10	19	-	-	-
Armenia	-	-	-	23	26	34	3	3	4
Belarus	7	6	7	125	153	232	4	9	18
British Virgin Islands	29	33	32	147	164	183	29	28	30
Germany	9	9	12	392	393	413	17	25	25
Georgia	-	-	-	9	13	14	1	1	3
Kazakhstan	4	5	5	36	43	51	10	9	15
Cyprus	95	120	169	429	490	552	117	125	131
Kyrgyzstan	1	1	1	6	4	6	3	2	6
China	5	9	11	92	92	118	-	1	-
Republic of Moldova	2	2	3	21	27	20	5	9	8
Netherlands	7	10	15	109	122	146	5	5	6
Great Britain	24	22	25	197	210	201	31	40	43
USA	16	15	11	274	270	233	37	39	44
Tajikistan	1	2	-	6	3	4	-	-	-
Turkmenistan	-	-	1	1	1	1	-	-	-
Turkey	-	-	1	159	163	172	1	-	-
Uzbekistan	1	2	2	14	16	17	3	1	3
Ukraine	11	13	11	147	187	209	32	37	40
Finland	5	6	8	131	151	152	22	29	21
Switzerland	8	12	12	93	103	94	26	31	25

Source: Industry of Russia in 2008, Moscow: Federal State Statistics Service, 2009 Tabl.2.20.

Employment and labor productivity

Contrary to fluctuations in the number of employed population in Russia, employment in enterprises with foreign capital has steadily grown throughout the period of reforms, including the first decade of the crisis. However, the crisis of 2009 has led to a decline in employment in this sector too, which continued in 2010. Thus, the share of workers in enterprises and organizations with foreign capital in total employment of Russia's population has remained insignificant, ranging in recent years between 4.0 - 4.5%. However, this indicator differs widely depending on sector and type of activity (from 0.04% in education to 18.3% in mining).

Table 12

Dynamics of Employment in Enterprises with Foreign Capital

Employed	1992	1995	2000	2004	2005	2006	2007	2008	2009	2010*
Thousands persons	195	425	1730	2338	2531	2675	2930	3328	3179	2906
Share in total employed	0,3	0,6	2,7	3,5	3,8	4,0	4,3	4,7	4,6	4,2

* *Data for the first three quarters of 2010*

Calculated on the basis of: Russian Statistical Yearbook - 2010. Tabl.12.9, Socio-Economic Situation in Russia - 2010, Section 3.3, Table 2.

However, as seen from Table 13, industrial dynamics is unstable and multi-vectoral[12]. So, for the period of 2005-2009 employment in companies with foreign capital reduced in manufacturing, and distribution of electricity, water and gas, mining (and this decrease was more significant than in the industry as a whole), constructing, hotel and catering business, real estate transactions, in education and other services, in the fish-catching sector (where the whole industry employment increased by almost 3%). Despite the economic crisis the remaining activities showed growth of employment in enterprises with foreign capital during the period.

However, it should be noted that the quantitative indicators of the presence of foreign capital in Russia do not reflect the real extent of its impact on the economy. Modern means of telecommunications, many new technologies, forms and methods of commerce and management are introduced in Russia under the direct influence of foreign companies. In many respects foreign investment and foreign enterprises gave impetus to the development and updating of the national economy bringing into Russian reality not only innovations but better performance and labor efficiency as well.

Table 13

Number of Enterprises with Foreign Capital and Number of Employed by Type of Economic Activity

Economic activity	**Number of enterprises** (end of year)			**Number of employed,** thou. persons		
	2005	**2008**	**2009**	**2005**	**2008**	**2009**
Agriculture, hunting and forestry	336	515		44,7	60,1	

[12] Data on the employed in companies and organizations with foreign capital by sectors and types of activities are only collected by Rosstat (Russian State Statistics Service) from 2005.

			651			60,6
Fish-catching and fish-breeding	37	27	31	13,9	7,1	9,5
Mining	206	309	434	207,1	190,6	181,9
Manufacturing	2849	3403	3704	1559,4	1612,7	1442,8
Production and distribution of electricity, gas and water	158	150	171	281,8	218,0	214,4
Construction	559	874	1242	51,0	83,2	76,9
Wholesale and retail trade, repair of motor vehicles, motorcycles, household goods and personal items	3913	5173	6164	214,3	409,6	444,7
Hotels and catering	305	400	346	45,3	56,5	53,4
Transport and communications	987	1268	1294	282,1	308,7	310,3
Real estate, lease and services	2409	3370	4291	123,2	198,6	191,9
Education	61	44	32	2,9	2,5	2,2
Health and social services	98	126	131	8,2	12,3	13,0
Other services	238	275	314	33,2	39,9	24,0

Source: Russian Statistical Yearbook - 2010. Tabl.12.9

Estimates made by the Institute of Training "BDA Pro" at the request of RBC Daily showed that labor productivity in Russian companies is significantly lower than in the West. The largest gap has been found in the aircraft industry where the gap in performance between the Russian company Sukhoi and the American company Boeing is 9 times. In the banking sector and in oil production the gap is 6 times. The smallest gap is registered in the retail trade: from the revenue per employee prospective, Russian retail chains are only 1.5 – 2.8 times behind Western ones[13].

The information on productivity growth by sectors issued by Rosstat suggests that in sectors where the presence of enterprises with foreign participation was more significant the rates of increase were slightly higher. In some areas (such as mining, transport and communications) productivity growth was observed even in the crisis of 2009 (Table 14).

Table 14

Dynamics of Labor Productivity by Type of Economic Activity

(percentage change)

	2003	2004	2005	2006	2007	2008	2009
Overall economy	**107,0**	**106,5**	**105,5**	**107,0**	**107,0**	**105,2**	**95,8**
Agriculture, hunting and forestry	106,0	103,6	102,5	105,0	105,5	110,7	105,0

13 RBC Daily, October 26, 2010, № 196.

Fish-catching and fish-breeding	102,1	104,3	99,6	101,6	103,2	95,5	109,2
Mining	109,2	107,3	106,3	102,5	102,3	100,7	107,5
Manufacturing	108,8	106,3	107,1	108,1	106,6	103,9	96,1
Production and distribution of electricity, gas and water	103,7	100,4	103,7	103,2	100,3	102,9	96,3
Construction	105,3	106,9	105,9	115,8	112,8	109,1	91,4
Wholesale and retail trade, repair of motor vehicles, motorcycles, household goods and personal items	109,8	110,5	105,1	110,8	104,8	108,1	92,1
Hotels and catering	100,3	103,1	108,5	109,2	108,0	109,2	87,1
Transport and communications	107,5	108,7	102,1	110,7	107,5	106,5	100,1
Real estate, lease and services	102,5	101,3	112,4	106,2	115,8	107,9	96,7

Source: Russian Statistical Yearbook - 2009. Table. 1.4; Russian Statistical Yearbook - 2010. Tabl.1.5

Wages and conditions of work

Higher wages paid in enterprises with foreign capital have made employment in them very attractive to Russians. In addition, they grew at a faster rate before the start of the recovery growth (Fig.3). Whereas in Russia as a whole, the nominal wage (in US dollars) increased 20-fold within the period of market reforms, and within the period for which data on foreign and mixed enterprises are available (1995-2008) – 4,8-fold, for employees in enterprises and organizations with foreign capital it grew 56-fold. At present, remuneration for work in this sector is nearly double the country’s average. True, this substantial difference is in part due to the fact than such enterprises are concentrated in top-paying types of economic activity.

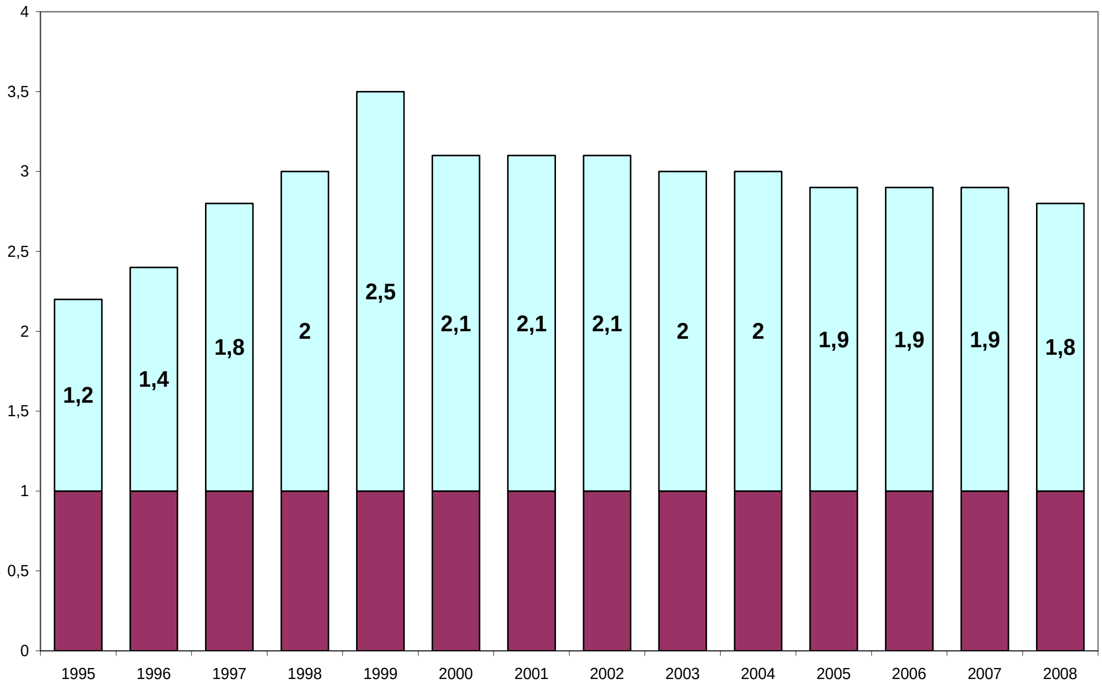

Fig. 3. Average Wages in Russia and at Enterprises with Foreign Participation

Table 15

Nominal Wages across Economy and at Enterprises with Foreign Capital (% to preceding year)

Year	Economy as whole	Enterprises with foreign capital
1996	157	191
1997	120	159
1998	111	122
1999	145	210
2000	146	118
2001	146	146
2002	135	139
2003	126	119
2004	123	120
2005	127	125
2006	124	121
2007	128	127
2008	127	125

Source: Labor and Employment in Russia - 2009. Moscow: Federal State Statistics Service, 2010. Table 8.16.

Differences in the wage level between the majority of companies and enterprises with foreign capital also vary depending on the type of economic activity. In health care, education, commerce and services the excess was 2-2.5 times and in real estate transactions, as much as threefold. In manufacturing it was more conservative averaging 1.5 times. In mining, manufacturing of transport vehicles and equipment, electric power, gas and water production and distribution wages in enterprises with foreign participation differ little from the sectoral average. In the leather and footwear manufacturing and production of oil and coke it was even slightly below average.

VTsIOM public opinion study conducted July 9-10, 2005 has confirmed that the Russians want jobs in enterprises with foreign participation primarily because of higher and stable earnings in this sector. Three fourth of those polled said so. One in every ten respondent pointed to better conditions and organization of work and 7.5% referred to the provision of a social benefits package. At the same time only an insignificant number of those poled noted good treatment of workers and respect for workers' rights[14] .

Regrettably, Russian statistics fail to provide data concerning hours of work, on-the-job training, occupational traumatism and industrial disputes by type of enterprise ownership. Only legal (authorized) strikes are accounted for in statistics. It is therefore deemed impossible to compare the state of industrial relations in MNEs of foreign origin, in major Russian corporations and in other economic sectors on the basis of available statistics. The situations calls for further studies at Russian MNEs of the social and industrial relations covered in the ILO Trilateral Declaration concerning Multinational Enterprises and Social Policy.

During the consulting with the social partners in the first phase of the project, a serious methodological question arose as to which structures operating in Russian economy are to become the subject of this inquiry.

In accordance with the Declaration, the multinational enterprises are *'those that are of public, mixed or private ownership which own or control production, distribution, services or other facilities outside the country in which they are based.*" Experts point to three categories of structures operating in Russia that basically meet this definition:

- major corporations in the mining sector, most of which are owned nationally, but have moved beyond its national frontiers to run enterprises and affiliates abroad as well as joint ventures in Russia;
- companies in Russian territory affiliated to major foreign entities in far-afield countries;
- relatively small firms that are of foreign or joint property, many formed with assets from former soviet republics (Russia plus Belarus, Russia plus Kazakhstan, etc.).

The study's objective was to consider companies with headquarters outside of Russia as foreign-origin multinational corporations and it was decided to focus on matching social and industrial relations in this sector against the situation in enterprises owned by major Russian companies. In this case, priority will be given to aspects of the Declaration relating to the provision of professional development opportunities for employees and their adapting to the changing employment opportunities under conditions of structural adjustment.

5. Non-Financial Reports by Russian and Foreign MNEs

Foreign companies through extending the scope of their activities to Russia have brought along their corporate culture, the practice of making non-financial (social) reporting (NFR) being part of it. Major Russian businesses have adopted this practice too over the last decade. According to the RSPP official website data, the number of companies that provided the NFR data in the organization's register grew from two in 2000-2001 (Ryazan Heat Generation Plant and OAO Gazprom) to fifty-odd in the middle of the decade, whereas in 2008-2010 the number of companies grew up to 92 of which 47 can be considered as either Russian or foreign MNEs[15]. Foreign MNEs tend to provide NFRs not on their Russian branches only, but the one covering the company as a

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[14] Balatsky EV "Unrecognized boom" in the dynamics of foreign investment in Russia. / international processes. Volume 3, № 3 (9), September-December 2005. 1,597 people in 153 settlements of 46 regions, territories and republics of Russia were surveyed. Statistical error does not exceed 3,4%.

[15] The report is available online in the library of corporate practices at RSPP site: http://archive.rspp.ru/Default.aspx?CatalogId=5907

whole, and they do not always place their reporting on the RSPP site. For example, in 2005-2006 only three out of five reports of foreign MNEs operating in Russia covered the activities of Russian subsidiaries. In 2009-2010 the number of reports of foreign MNEs has risen to eight on the RSPP site[16], five of them being specifically made on Russia, while one more contained a special section devoted to Russian practice.

Foreign and Russian MNEs' NFRs differ in thematic focus depending on kinds of social programs. The first ones focus mainly on problems of ecology, safety and quality of products. Another aspect that distinguishes foreign reports is the existence of programs aimed at supporting of employees involvement in volunteerism and philanthropic initiatives of the company. Issues of internal social policy, including development of enterprises' human potential, are either of minor significance or are not included at all[17]. As for Russian MNEs, this range of issues is not inferior to the environmental issues and occupational safety in scope and significance.

At the same time, both Russian and foreign MNEs formulate policy objectives in social and labor sphere in very similar terms: formation of a stable, highly professional and dynamic team, loyal to the interests of the company, understanding and sharing its goals and objectives, ability to respond flexibly to new challenges and to effectively solve problems. There are three types of programs aimed at attracting, retaining and developing employee motivation; training, retraining and skills development and work with youth. In 2008-2010 the first two lines were reported in 21 NFR (6 of them presented by Russian MNEs, and two submitted by foreign ones), the third – in 7, including 4 of Russian MNEs. In social reports of foreign MNEs operating in Russia, the last line is virtually absent.

The analysis of NFRs from the RSPP site as well as the information obtained in the course of interviews with companies management reveal that the organization of employee training systems in Russian and foreign MNEs have much in common. This is due to the fact that Russian MNEs actively adopt practices and learning technologies developed and implemented in Western companies, but they sometimes are more flexible in accounting the specificity of Russian labor market and mentality of the population.

Staff training includes: a) introductory training of those recruited, i.e. introduction into the company, its history, ethics, culture, traditions and principles of activity (this aspect of training has long been present in the practice of foreign companies, and now is widely promoted in Russia); b) training of varying duration, frequency, regularity and coverage for all categories of employees); c) retraining for new professions and occupations, the need for which arises in connection with the modernization of production and restructuring.

Particular emphasis in the staff development programs represented in NFR, both of foreign and Russian MNEs, is placed on learning and improving management skills. This reflects the acute shortage of quality management and is intended for substitution of managers from abroad by local personnel. These programs are closely linked with such a direction of staff development as *formation of personnel reserve*, which includes, besides the training itself, selection to senior positions and evaluation of potentially promising employees.

Russian MNEs often offer high-profile youth programs in which the academic (educational) component is complemented by other instruments aimed at bringing young workers into production and adapting them to long-term career there, as well as at their further development. In this regard,

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[16] NFRs are prepared by the majority of MNEs, but it is not a rare case when Russian version is missing, and even more rarely they are uploaded on the RSPP site. In particular, from 7 MNEs that had agreed to participate in our study, 6 presented the NFR in 2010, including a second Russian-language version, which, however, was not included in the library of the RSPP. Norilsk Nickel's NFR was the only one of all Russian companies surveyed.

[17] It is hard to tell the reason of it because, as shown by the data of our study, foreign MNEs tend to have developed education and development of workers technologies which are actively borrowed by Russian major business.

foreign companies, operating in Russia, are mainly oriented to collaboration with institutions of technical and vocational education, traineeship exchanges and practices.

Organization-wise, training has a great diversity of forms and methods, like:

- creating own corporate training institutions and centers with modern equipment that provide training in the latest, often unique, programs and techniques, including distance learning focused on the needs of specific industries. In Russia only very large and successful companies do that (Rusal, OAO "Tatneft ", Baltika Breweries corporate universities, Lukoil Distance Learning System, more than 4 thousand users being registered in the latter) as well as foreign MNEs that have similar structures abroad (McDonald's) or create them in their Russian departments (University of Coca-Cola HBC Eurasia);
- conducting a variety of short training courses and workshops (for example, marketing, conflict management, business communication, staff motivation, sales psychology and technology, etc.) with varying regularity and duration. For example, Baltika Breweries and the Russian division of Knauf use their own skilled staff as teachers whereas other companies use specialized training and educational organizations professionals both Russian and foreign. Some companies (such as Lukoil and Gazprom) send their managers and technical workers to internship and advanced training abroad, including plants of partner companies. This form of training is used in Russian and foreign MNEs and often involves the degree and certification training (Knauf, SABMiller RUS, ZIO Podolsk, etc.);
- collaborating (on contractual or charity basis) with independent state and private educational institutions of all levels (from secondary education schools and courses to specialized secondary and higher educational establishments) on the special on-line tutorials either developed by client companies or under their requirements or on the programs of the educational institutions. The latter form is also available for smaller companies (for example, Federal State Unitary Enterprise "Zavod im. Sergo-POZIS" actively uses one).

In the latter case, the funding for training target groups and individual students is fully or partially provided by a client company and envisages conclusion of an individual contract with students on the subsequent employment at its facilities with a commitment to work for 3 to 5 years. In some regions corporate orders for training can make a substantial share of the budget of relevant educational establishments. According to the Federal State Statistics Service, 344.7 thousand students (or 5.6% of their total number) were taught in State-run and municipal higher educational establishments under targeted contract system, as of the beginning of 2009/2010 academic year. In 2008, the financing of institutions of basic vocational education at the expense of other organizations amounted to 2.6 billion rubles (4% of its total budget)[18].

Today a number of Russian MNEs are introducing Western standard-oriented system of continuous training of employees[19] with a view to cover forecasted labour needs and facilitate employees' aspirations for promotion and career development. Such as Russian MNEs like Lukoil and Tatneft have already established full-fledged corporate training systems that provide up-to-date technical vocational and higher education. There appeared also some original educational projects, for example, "Engineering Education Cluster KAMAZ-KSTU (KAI)" organized in September 2008. It operates on the basis of problem-focused and class/workplace combination learning which envisages gradual acquisition of basic and advanced qualifications to culminate with engineering and technology bachelor degree.

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[18] Russian Statistical Yearbook – 2010.

[19] Usually there are four basic levels: introductory courses for those just hired for the job, regular training, development and training of personnel reserve, training of top managers

On the whole, the development of Russian MNEs non-financial reporting conforms to the patterns, trends and dynamics demonstrated by practice abroad. So far, foreign MNEs reports are in most cases more sophisticated. They are better structured and more comprehensively describe different aspects and effects of company's activities (economic, social, and environmental) and attainment of objectives and identification of challenges. However, quite often is the case that reports have been produced by the central office reporting company's activities around the world without any special section on Russia.

Russian companies' social reports are predominantly less structured, although lately the leading Russian MNEs, by analogy with Western ones, are increasingly producing comprehensive and well-structured reports on sustainable development.

Non-financial reports of foreign MNEs often contain an audit opinion on reliability of the information included. This practice is becoming more common in Russian MNEs' non-financial reporting as well. Major barrier here is the persisting emphasis on confidentiality of information so typical of Russian firms. However, it should be noted and that foreign MNEs subdivisions also tend to narrow information disclosure when they start operations in Russia. It is especially true in case of Western retail trade chains, motor-car industry companies and household appliances firms, as well as of branches of Western banks and insurance companies operating in the country.

Both Russian and foreign MNEs' non-financial reports consider similar range of issues, but Russian MNEs rather accentuate internal corporate problems related in one way or another at the development of the company and its employees. Despite an increasing incidence of non-financial reporting practices, it is still a scant phenomenon confined mainly to the segment of "big business".

6. Findings of the Field Study

This section presents the findings of an expert survey of views expressed by representatives of the actors of social partnership (the Government, Employers' and Workers' organizations), as well as managers of foreign MNEs and major Russian corporations[20] concerning the effect of ILO Declaration, particularly from the prospective of employees' skills development and their ability to adapt to the changing employment pattern.

The respondents pointed to the food, machine-building and chemicals industries, as well as trade, as sectors where MNEs are playing most prominent role. Besides, the mining sector and finance were also mentioned, albeit the share of employed in those two sectors is insignificant as compared to the total number of employed.

The experts underlined the insufficiency of data being provided by Rosstat. *«If I know how many MNEs operate in our country? The tax authorities may know. We only know the MNEs that are members of our organization or cooperate with us, not otherwise».*

The survey showed that most Russian experts are aware of the Tripartite Declaration, albeit many lack a detailed knowledge or have not yet familiarized themselves with its substance in detail. Only RSPP representatives and MoHSD officials are familiar with the substance and are informed about the regular surveys concerning the effect of its principles in practice. Managers from both Russian and foreign MNEs are not aware, as a rule, of the Declaration. Out of 15 companies surveyed only two managers confirmed they knew about the Declaration (one Russian and one foreign company).

Here is how RSPP representatives assess the role and significance of the Declaration for Russia: *"We welcome this Declaration and sometimes make reference to it for the substantiation of our position, but it has no special significance for Russia because the Russian legislation is close to*

[20] Unlike the previous section where NFRs by foreign and Russian MNEs were compared, this section has a sample of big Russian companies of similar sectoral affiliation (not necessarily multinational), as a reference group

the standards upheld in the ILO conventions. Standards that are inferior to Russian legislation cannot be applied by MNEs here as it sets practically the same high bar as the ILO Declaration".

Following a Declaration's statement, *"multinational and national enterprises, wherever the principles of this Declaration are relevant to both, should be subject to the same expectations in respect of their conduct in general and their social practices in particular"*

At a first glance, there is no particular problem about it at all. Both Government and employers' organization experts maintain that Western companies are even more law-abiding. RSPP links that to their home country's ingrained stereotypes of business conduct, while the Government experts believe that the reason are pragmatic considerations linked to staying in "an unusual host country." *«When operating in our territory, foreign corporations do their utmost to abide by our laws, while following the evolution of Russian legislation to make them safe from trouble. They take care on observing workers' rights, and the bigger is the company, the more responsible towards the personnel it behaves."*

At the same time, the Ministry experts note that foreign companies experience difficulties with a thorough understanding of Russian legislation norms: *"they operate here under Russian regulations while being parts of big international corporations. That is why in their operation there are echoes of foreign regulatory norms and a bit worse perception of those they are to be guided by here. More awareness is needed…like with OSH issues to let them know what attestation of workplace means, and what sort of programs they should comply with… The level of understanding of the legislation in force is rather low and more detailed explanation is needed."*

Overall, the respondents do not see any major differences in the conduct of big Russian and foreign companies. *"Our companies are part of the international market now, therefore image plays a role for them and they are all socially responsible"*.

Nevertheless, differences, as we will show later, are quite visible as for how social and labour relations are being shaped by companies with different corporate culture. It has found its manifestation when the managers were asked to prioritize aspects of social policy in the world of work and assess the degree of centralization (authoritative style) of their company management in decision-making concerning issues of social and HR policy[21] (Table 17).

Table 17

Rankings of social policy priorities in Russian and foreign companies

Companies	Ranking of social policy aspects				Decision-making centralization
	Employment stability, creation of new jobs	Training of personnel	Decent working conditions and wages	Workers' interest, social partnership	
Foreign					
1	4	2	1	3	2
2	2	1	4	3	2
3	4	1	3	2	3
6	4	1	2	3	2
7	4	1	2	3	2
10	4	2	1	3	2
11	-	-	-	-	2
Russian					
4	4	2	1	3	1

[21] Respondents were offered to choose between three answer options to the question "Is decision-making on HR and labour relation issues made by your company's affiliates (branches) or headquarters". (1- key decisions are made by headquarters; 2 – some decisions are taken at site upon approval by headquarters, and 3 – affiliates and branches are autonomous in taking decision in HR management).

5	1	2	4	3	1
8	1	3	2	4	1
9	1	2	3	4	1
12	3	2	1	4	1
13	1	3	4	**2**	1
Russian with predominant foreign participation					
14	2	1	3	4	2
15	4	1	2	3	1

Despite widely varying attitudes among Russian and foreign MNEs and managerial preferences, there could be formulated several key messages as for the managerial style:

1. Foreign MNEs put an emphasis on training and professional development as the highest or close to highest priority, while Russian companies believe that top priority is either employment stability or decent conditions of work and wages.

2. Foreign MNEs rate, as a rule, employment stability as the last thing to be concerned with, and Russian companies do so towards the interest of workers and promotion of social partnership.

3. Russian managers tend to assess the HR decision-making style as rigid and centralized, while foreign companies opt for using the dialogue and encouraging involvement of lower levels of management in the decision-making process. As one respondent put it, despite the intention to *"follow Western practices, authoritative methods in HR procedures still prevail in Russian companies. Even 100% Western companies that landed into Russian soil adopt the centralized and administrative customs (partially, of course). The methods one applies in dealing with staff are largely conditioned by local habits"* (6).[22]

4. The companies with some (not substantial) foreign participation stick to an intermediate position, inclined in some cases to use Russian practices and in others, the Western ones.

There are also some other specific problems characterizing MNEs' attitude towards the government and towards workers. On the other side, the model of social and labour relations is to a great extent determined by factors like company's economic weight and reputation, the "load of soviet traditions and customs" and sectoral affiliation. This makes a varied picture of behavioral attitudes of both MNEs and local companies towards social and labour relations.

Interaction with Governmental Departments and Agencies

MNEs seek to fit into Russia's social and economic context and are therefore willing to collaborate with government departments and agencies. However, it is necessary to emphasize the some interesting points in this regard.

1. Big Russian companies often cooperate even more actively with the Government by using consultations with officials to further their own ends. The bigger is the company, the more active it is. More regular contacts MNEs have with local authorities instead in areas of their presence. In this regard and unlike Russian enterprises that often underline their close personal relations with the authorities, foreign MNEs tend to "maintain the distance".

"We are an accurate taxpayer and law-obeying. The authorities understand that we are not a charity organization, we are doing business. Besides, we are taking initiatives on developing local infrastructure, like healthcare infrastructure, for instance (3)".

"We have adopted recently a set of tough rules that regulate our interaction with authorities. In practice we are close friends with the regional administration and they know what requirements we are imposing on ourselves (10)".

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[22] Here and in after the figure is the number assigned to relevant respondent.

2. Foreign MNE and authorities do not meet for consultations on regular basis, but when a need arises to tackle specific tasks.

The Ministry of Economic Development from time to time discusses with MNEs the issues of legislation improvement. The opinion of MNE representatives was taken into account in the drafting of Federal Law №86-FZ that simplified the procedure of attracting foreign experts to Russian enterprises. At present, MNE representatives are actively contributing to drafting several bylaws. *"Corporations have a good communications style, they readily respond and send top experts, but they always pursue their own purpose".*

Both foreign MNEs and big Russian companies quite often cooperate with public educational agencies and institutions, but none of them made proposals to the Ministry of Education or involved into discussion of laws on education and curricula content.

The Ministry of Health and Social Development remains the governmental agency of closest contact with MNEs (along with Russian companies) on issues of social and labour relations. Interaction goes along two major lines: consultations with the aim to clarify the Labour Code requirements (see above) and discussions of proposed amendments in working groups. A working groups has its own and specific task and is normally composed by representatives of three parties (trade unions, employers and the government).

"Each party delegates representatives. We have invited several times the European Association of Business and the American Association of Business. Strictly speaking they are not employers' associations. Their statute does not provide for representing interests, but in practice they do so. The last time MNEs participated was when we were preparing the official opinion on Mr. Isaev's draft law on remote employment and earlier it was in 2006 when a set of amendments to the Labour Code".

Consultations are taking place also on strategic issues concerning national priorities, including national projects in the public health and education fields. Participation in the "Accessible Environment" Program concerning vocational rehabilitation of people with disabilities and national qualifications framework should be mentioned along with the on-going work on qualifications requirements. The respondents noted that foreign MNEs were less active in that work in comparison with the Russian ones.

"In addition to the established requirements the foreign companies are guided also by their corporate ones, and sometimes they come forward with the initiative to incorporate the latter in Russian qualification standards. However, Russian companies outpace the foreign ones in putting forward the topic of reviewing old qualification standards".

Another area of interaction are discussion of ways for resolving current conflicts or disputes related to the observance of workers' rights and guarantees, collective bargaining and so on.

At the time of crisis the consultations were conducted mostly on employment and retraining of redundant workers. A recent example is MoHSD's involvement in negotiations between VW and AvtoVAZ on possible relocation of workers from Togliatti to Kaluga.

3. Corporate ethics requirements complicate sometimes an efficient interaction between foreign companies and the Government, and this was clearly visible in the process of implementing the anti-crisis programs. The PES experts cited the case of Ford enterprise famous by a viable trade union organization that cooperated constructively with company's management. Ford faced serious difficulties in 2008 and 2009 that included reduced working hours and production stalls. Russian PES offered Ford become part of state-supported anti-crisis employment programs. Government funding was offered for organizing public works and re-training programs.

"They showed no interest. On our side, we put no conditions and they were free to train where it would have fit them better. They definitely refused. The head of regional PES had meetings even with US-based top managers, but to no avail".

The Ford plant has been strict in complying with all legal requirements before the workers, kept paying the workers even for stall periods, but declined to take part in special programs.

"The company has taken a very restricted position alleging that they would not violate the corporate traditions and seek to avoid image losses. In the end, we may say that the workers have been to some extent affected, even in terms of wages".

Ford's position is not an exception. Out of five MNEs surveyed in manufacturing sector, three experienced serious employment problems caused by the crisis, and only one of them sought to take part and implement a state-funded anti-crisis program.

"We keep on stressing out the fact that we are a Western company and we work not like purely Russian companies do…Interaction with governmental agencies is more up to less sizable enterprises. Giants are able to cope with the problems by their own means. We did not send staff for re-training, since it implies interaction with training institutions and it is not our practice" (2).

The Federal Employment Service gives the case of RUSAL (Russian MNE) as a positive example of interaction with the State under employment support programmes.

It would be fair to note that though the trend of safeguarding self-reliance and keeping distance from the host State, to the detriment of workers sometimes, is characteristic for MNEs, it does covers all of them. For instance, Alcoa Metallurg Rus ZAO has engaged in active consultations with governmental agencies on a wide spectrum of social and labour aspects, and in the crisis time they designed and implemented a joint action plan on re-training and job-placement of dismissed workers.

The fact is that not all big Russian companies working in the manufacturing sector took part in the anti-crisis programs[23]. When asked about the reasons, domestic employers allege that the procedures for interacting with governmental structures on issues of training are too complicated, time-consuming and bureaucratic, and this forces them to solve many issues independently, without resorting to the help of the government.

"When the crisis came we tried to work with the employment service on public works, but it failed because of heap of approvals and consent we had to seek. The moment we managed to get them all, the crisis was over. Recently we have been requested to submit a request for training of those who are by May 2011 back to work after maternity leave. We did it, but no feedback so far." (14).

"We had a meeting at the Employment Center on creation of new jobs. Their proposal looked one-sided: if we sign up to the program, we would admit everybody they send us, irrespective whether we need them or not. Instead of resources we would have had headache of piles of reports and other documents to submit." (5).

Cooperation with Russian Employers' Associations

MNEs are active in contacts with RSPP and attend gatherings of its committees and have their voices and concerns heard. Some are RSSP members and many cooperate quite actively through cost-sharing and organizing different events like conferences, workshops, publications, etc. Many are part of the Global Compact's network in Russia. Some have joined to the Social Charter for Responsible Business. RSSP has instituted an international council on cooperation and

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[23] According to a survey on social programs and spending on personnel, as of beginning of 2009, 33% of enterprises had no action plans for facilitating job placement of laid-out staff. Only 30% used transfer of laid-off employees to another job within company, and 21% interacted for this purpose with local authorities and other employers (Results of the survey of enterprises on implementation of social programs and spending on personnel in September 2008 – May 2009 //http://archive.rssp.ru). Among the enterprises polled in our research two Russian companies took part in anti-crisis employment programs.

investment where foreign companies operating in Russia are represented and discuss the existing problems and challenges.

RSSP does not conduct regular consultations on any specific issue or conflict. The parties usually meet at roundtable discussions, workshops, and other similar gatherings to discuss aspects of business activities. MNE representatives take part in them on an equality basis with all others, inasmuch as they are concerned. *«We met for consultation on numerous occasions mainly with foreigners to cover migration legislation, because it deals with hiring foreign workforce, as well as ours. Nornikel, for example, was also a party concerned».*

In the RSPP experts' opinion, MNEs show a relatively greater interest than major Russian companies in such issues as employment, skills training and adaptations for handicapped people, as well as non-discrimination. In recent years the aspects of crisis management were in focus[24]. However, not all showed interest towards cooperation in this field. Among foreign MNEs polled in our research only two reported an active cooperation with RSPP.

MNEs and Workers' Organizations

The MNE Declaration states that «workers employed by multinational enterprises as well as those employed by national enterprises should, without distinction whatsoever, have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization».

MNEs operating in Russia do not always comply. However, just a simple comparison of formal observance of the right to organize in the Russian and foreign enterprises discovers predominance of path dependence and area of activity than the simple fact of having foreign influence or not (Table 18).

There is practically no difference in terms of unionization and collective agreements between Russian and foreign companies. However, differences related with the area of activity and enterprise previous history are clearly visible. Trade unions are mostly present at enterprises of manufacturing sector. The newly established enterprises with no load of soviet traditions usually either do not have trade unions at all or there is an open or smoldering conflict there between management and active workers.[25]

Table 18

Observance of the right for representation of workers' interests by type of company

	Number of enterprise				
Type	Total	Trade union	Collective agreement	Active partnership	Polls among employees
Foreign	7	4*	3	0	7
Russian	8	3	4	2	4
Including those with predominant foreign participation	2	1	1	1	1
Manufacturing industries	10	7	7	2	7

[24] MNEs relations with workers' unions have not been discussed, however, «*the MNEs are manifestly proud of the fact that they back the right to organize».* RSPP experts note active MNEs' involvement in the activities organized by RSSP Committee on Social Policy. The retail chains are one exception.

[25] By accounts of trade unions leaders and newspapers publications such enterprises include retail trade enterprises making up multinational trade chains. In our list of enterprises surveyed the only one green-field enterprise with trade-unions is living through a similar conflict situation. Unlike the other enterprises with trade unions it has no collective agreement concluded and probability is high for trade unions be replaced with a workers' (production) council.

Finance, trade	5	0	0	0	4
Old enterprises	8	7	6	2	5
New enterprises	10	1	1	0	9
Including those created in manufacturing sector	6	1	1	2	5

*not at all enterprises

Trade unions representatives believe that at MNEs trade unions have more favorable conditions for operation, since the foreign employers are normally more law abiding and have Western perceptions of trade unions' role, on the one hand, but activists are in a complicated situation due to inaccessibility of company's head office, on the other hand: "*They [at MNEs] are doing better in retaining jobs, wages are higher, and working conditions are better. There are two issues only: establishment of primary union cells and the signing of collective agreements (need to refer to the head office."* However, according to the experts' opinion, those two problems are being felt not only at the foreign MNEs. A vast majority of MNE-related experts has admitted existence of a barrier related to the need of seeking most approvals from head office at all MNEs.

This situation is not in line with Declaration's statement that "multinational enterprises should enable duly authorized representatives of the workers in their employment in each of the countries in which they operate to conduct negotiations with representatives of management who are authorized to take decisions on the matters under negotiation."

As a MHSD expert informed, conflicts between management and trade unions take place from time to time at foreign MNEs, and trade unionists of several foreign MNEs approached the Ministry in some cases seeking help in resolving industrial disputes. The conflicts arose from non-observance of the rights provided for the Labour Code, namely: difficulties in the conclusion of a collective agreement, procedural violations in doing that, refusal to provide trade unions with office space. In terms of collective agreement substance, heated disputes were around working time, wages and ways of dealing with the trade unions in the course of collective agreement implementation. It would be also fair to say that trade unions at Russian enterprises sought Ministry's mediation too.

"Lately, it was mostly foreign entities who sought Ministry's assistance in disputes, but earlier our Russian enterprises prevailed in approaching the Ministry, and with very similar range of issues. So we do not see any specific situation".

The expert went on saying that foreign employers have never sought Ministry's advice on issues related to freedom of association and right to organized protection of interests, while Russian big companies did in some cases.

Talking about the attitude of representatives of foreign MNEs operating in Russia towards trade unions one should emphasize the following issues:

1. Many MNEs in the manufacturing and even retail trade sectors have strong trade unions in their home country and in other countries where they are present, but not in Russia. Low unionization level is explained by a low need for workers to create representation organizations and endorsed by managers as Russia's comparative advantage.

"Trade unions are necessary when it is necessary to have cohesion for achieving some goals. If goals are achieved on their own, no need to have a union" (15)

"Trade unions in the Western Europe is a tradition, they are well empowered and no decision on staff can be made without well placed procedures of negotiations and mutual noticing" (10)

"Trade unions at enterprises abroad follow a long-established tradition and an important factor of labour and social relations. It is practically impossible to take decisions without trade

unions. As my foreign colleagues indicate it is more complicated to work at home than in Russia, where managerial decisions are rarely disputed". (2)

2. The interaction between workers and employers at MNEs is positively influenced in cases when trade-unions at such enterprises are part of international trade union movement. Inclusion of a Russian enterprise into jurisdiction of a collective agreement between the MNE's head office and sectoral trade unions in a relevant country or international trade unions' secretariat plays a key role in the reinforcement of workers' position.

3. A most common way of organizing feed-back from workers at MNEs is conduction of regular anonymous surveys. This method has been used at all MNEs polled, and in 4 out of 8 Russian enterprises, which shows an ongoing transfer of best practices by the Russian business. In conducting surveys, foreign MNEs normally rely on the services of specialized agencies and use one and the same survey for all units and structures. Surveys that Russian companies organize are more flexible in contents and individualized, and often focus on acute and concrete problems.

4. Because of specific features of the Russian tax legislation, companies are interested in having collective agreements in place[26]. *"In principle, decisions to change something may be take by company management without consultations with the enterprise trade unions, but collective agreement is important for many cases, as any sort of payments to workers is allowed to be included into production costs and thus diminish taxable profit only if such payments are specifically mentioned in the collective agreement. So the collective agreement for us is a must and one could have it concluded only if you have a counterpart to sing it. Since we already have a trade union cell at the enterprise, why should we look for something else?" (1)*

However, we have spotted two cases (one in a recently created Russian company, and one in a foreign MNE) when there was an open intention to replace trade unions with more loyal and managed production councils that are also allowed to be a party to a collective agreement.

5. Even if the management's attitude towards trade unions is well-minded, the former tends to take the latter as a junior partner that helps the administration solve some issues of social nature.

"The company does not use piecework payment system, therefore a worker should motivate him/herself to work productively. The trade union is a help in this respect. If the staff expresses displeasure with something, the trade union steps forward as moderator and smothers complaints." (13)

"Several trade union activists got a training course in management under the Presidential program, so the trade union leadership is well aware about the importance for a business to be afloat." (14)

In some cases the attitude towards trade unions is merely tolerant.

"They do not create problems for me, and give any feedback to raise their concerns neither. They do not formulate challenges that I should solve in my managerial capacity" (12)

Only two interviews praised constructive cooperation with trade unions that is mutually beneficial for both the employer and the workers, and only one respondent noted that the trade union participated in the design of programs and activities relating to staff training and development.

6. Sector-wise, the situation with the observance of labour guarantees and workers' rights is least favourable in the MNE enterprises operating in the retail trade sector. RSPP indirectly bears out this statement. *«We [the Social Policy Committee] do not work with the retail trade networks. Because they are not interested in social issues.»* It is not accidental that a representative of the sectoral union of retail trade workers has openly criticized the situation with labour legislation compliance in MNEs. *"The legislation is getting increasingly loyal to foreigners. The Government*

[26] According to Article 225 of the Tax Code, expenditures under corporate social policy line whether made in excess of those required by the legislation should be taxable if the collective agreement fails to reflect them.

is very much interested in foreign investments and takes sometimes a bit more liberal position with regard to the irregularities that MNEs commit."

Employment and Skills Development

The Declaration establishes that "multinational enterprises should give priority to the employment, occupational development, promotion and advancement of nationals of the host country at all levels in cooperation, as appropriate, with representatives of the workers employed by them or of the organizations of these workers and governmental authorities".

As stated early, the share of workers at MNEs with foreign participation is less than 5 per cent of the total workforce employed in Russian economy. That is why the MNEs impact on employment and labour market is very limited. The interviewed representatives of foreign MNEs were practically unanimous in ranking job creation as their fourth-placed priority in social and labour policies.

The role of foreign MNEs in staff development is more visible. Practically all experts noted that MNEs are very active in organizing training for their workers, including training of skills that are useful and may be used in other industries or enterprises. As shown by the study, representatives of foreign companies set staff training and development forward more frequently than representatives of Russian companies do. This is also confirmed by the data on staff coverage with training at foreign MNEs and Russian enterprises of reference group. In the surveyed MNEs every year from 70 to 100% of workers got training (mandatory OSH training excluded), while in most Russian enterprises the coverage was between 30 to 60%.

Practically all enterprises surveyed stated that the current education system failed to train specialists in sufficient numbers and in many cases did not train the most need ones at all. That is why the recruited workers who lack work experience gained at a similar enterprise will inevitably have to pass additional training or retraining. This situation was denote as a challenge by both Russian and foreign companies from various sectors. The introductory training of newly recruited workers takes up, as minimum, 2 to 3 months.

"We do encounter problems when finding staff of higher vocational training. To overcome such problems we are improving corporate training to get well trained workers and specialists with adequate qualifications." (1)

"Fully aware about the shortage of such specialists in the labour market, we are training them ourselves" (2)

"Our production is based on high technology and the workers should have specific skills. After they get the basic skills, we can offer them training for higher qualification." (13)

"For many workplaces we have there is no vocational training at all. Therefore, newly recruited workers get a tutor who organizes their on-the-job training as a trial period (of different duration, but for 2 months on the average). After that the attestation commission takes decision and authorizes to work independently" (14)

The survey found that having its own training facility is a characteristic feature for many Russian companies. In our sample we had 4 companies (out of 8) with such a center plus 1 company that had had it before it *"started operating independently"*. Now that center provides training services in the open market and the company keeps on cooperating it on the contractual basis with status special client at discounted prices. One Russian enterprise more mentioned that its training center provided training services to external client on cost-accounting basis.

Some foreign MNEs have training centers too, but they are not located in Russian territory. They widely use distance learning methods and provide training courses as well for managers exclusively. The MNEs highlighted the issue of adequately trained local managers as a priority. Foreign companies feel it necessary to hire and promote local managers because Russia has specific administrative and other barriers for business development that are quite difficult for expat managers to deal with. For this reason foreign enterprises have to rely on local professionals and pay special attention to their training. At the same time the management of foreign enterprises operating in Russia does not have much preoccupation with contacting public employment centers and having their training programs and curricula duly accredited and certified.

Almost all companies surveyed either maintain regular contacts with core public training institutions of higher and vocational education or seek actively such contacts.

"We are in need of graduate recruitment programs. We know that without such programs within 5 years we would hardly have anybody to hire" (7)

Experts from MHSD and PES-Rostrud noted MNEs' willingness to cooperate with education system institutions on modernization of the training process, in particular with basic and advanced vocational training institutions.

"As for training of personnel proposals and requests are coming in one after another, even via RSSP. As for adjustments of educational standards…It is mostly about matching skills acquired in the vocational training and modern machinery and technology used in production. Today's TVET system simply fails to fit to the modern technologies. There are proposals for more flexible training (in duration and contents) with production internship at enterprises. Some suggest to teach theoretical subjects at NVET institutions, while practical training should be given to enterprises. Some companies are eager lend or even donate their equipment for training.

Foreign companies are hardly more active in this respect than the Russian…Or rather, local companies offer more".

Foreign MNEs rarely do specialized training programs focusing workers other than their own staff,[27] as they eventually prefer to invest in specific human capital capable to bring in the maximum return. However, skills and competencies gained through in-company training turn out to be of more universal nature than a narrow specialty, and may be in demand at the wider labour market. Therefore such type of training has an inevitable spillover effect consisting in transfer of human capital and knowledge outside one company limits. The scale of such effect is greatly conditioned by what type of HR policy model has been selected

External training programs

Foreign MNEs rarely introduce training programs with wider outreach. However, there are some interesting examples in this respect that are worth describing.

ZAO Alcoa SMZ has instituted a separate not-for-profit corporate foundation to invest into regions where the company has presence. In 2005, the Foundation initiated and supported a Technical Education Support Program in Russia that covers three partner higher education centers: the State Airspace University in Samara, State Technology University for the Don area and the Moscow Institute of Steel and Alloys. The objective of the Program is to enhance prestige of engineer professions, encourage retention of young teachers and trainers, give a boost to research and development work by the students and provide the centers with better equipment. In 2010 special scholarships were awarded to 13 young teachers and 60 students of the partner education centers, and to 20 students of technical vocational schools. The company was named among the winners of the national contest "Corporate Donor of Russia" and the best one in the category "Young talents as capital for Russia's future".

Sakhalin Energy runs two programs aiming at human resources development outside the company: the Sakhalin Indigenous Minorities Development Plan that gained recognition of Russia's Ministry of Economic Development as the best Tripartite Cooperation Program between business, NGOs and

[27] Only three companies (2 foreign and 1 Russian) said they introduced such programs.

local authorities, and a knowledge sharing program for the suppliers titled "Best Practices from Sakhalin-2 Project for Russian Enterprises".
The indigenous people development program is being implemented together with the regional administration and representatives of the indigenous people. It includes components on health care, education for local inhabitants and study and preservation of indigenous languages, way of living and cultural heritage.
The supplier capacity building program envisages technical assistance and advisory service to Russian service companies and contractors. The MNE's interest in supplier and contractor training is due to a clause in the Production Sharing Agreement requiring from the Company to gradually increase the share of Russian suppliers. Since new contractors are required to comply with international standards in the areas of environment management, OSH, quality control and assessment in order to get contracts, the Company carries out specialized trainings for personnel of potential business partners. After such trainings potential suppliers may take part in other international tenders and conclude international contracts. By training partners for themselves, they train for a wider outreach.

The models in use may vary significantly depending on the level of actual and admissible turn-over, especially on lowest level positions[28]. On the one flank, we have a model seeking maximum retention of newly recruited employees.

"Our selection is lengthy, because it is targeted and scrupulous. We prefer to lose time, but hire a person who suits us fully and feels comfortable at his/her job." (8)

"A successful and long-term career in the company is the common interest of worker and employer. Replacing workers is costly." (7)

"Our HR policy model encourages promotion of our own staff. We believe that such approach responds, among other things, to the need of keeping corporate culture up." (2)

On the opposite flank, there is a model tolerating high turn-over of personnel at the lowest positions and aiming at the same time at the retention of staff at higher levels.

"We are pursuing two different HR policies. The key one has the objective of retaining the essential part of the staff, while the other staff segments could be beefed up quickly. If you destroy the backbone, you will lose corporate culture, technologies. We think we can afford even a high replacement rate (up to 50%) in the lowest level. That level works as a filter, and it is part of our staff policy. The middle levels have a turn-over of some 15%, the highest ones, not more than 5-7%." (9)

Retaining and reinforcing corporate culture is a concern not only for foreign companies. None Russian company, nor foreign MNE has manifest its predilection for the first or the second model[29]. In the segment of successful enterprises the second model implying mobility of already trained staff prevails. This gives a strong positive external effect. Respondents representing employers note some qualitative changes that have been taking place in the labour market over the last decade.

"Previously, there were difficulties of another kind. It was complicated to find staff capable to work by Western company standards. Now there are more qualified workers, as the number of

[28] As for "above middle" levels, almost all companies informed that they use a "combined" recruitment and promotion model by promoting their staff to higher grades and recruiting external specialists. (Only one company, 100% Russian, by the way, admitted openly its preference for head hunting.)
[29] Out of two companies that declared a turnover close to zero, one is 100% Russian and the other is foreign. It is noteworthy, that in the latter case turnover fell from 10% to zero in the aftermath of ownership change-over (with natural change in corporate culture).

Western enterprises is growing, but numbers of such persons are low among those who look for a job." (10)

Serious outflow of those highly qualified and trained at the expense of company has been reported by 8 enterprises (including 3 foreign). However, this process is seen by many as unavoidable expenses, particularly in cases when a high turn-over is connected with sectoral specificity (like in trade).

"The loyalty problem is not having us on. We train and some, of course, leave, but more stay." (13)

"Training in itself does not guarantee loyalty, but there is no point discussing this problem. If you stop giving training, business results would be worse." (15)

At the same time, both Russian and foreign employers are concerned with the outflow of qualified staff, particularly in the situations when its growing rate is caused by external factors, being shortage of labour the main one.

"The problem of losses in trained staff is extremely acute in Kaluga where there are many enterprises. Our enterprise was the first foreign enterprise in Kaluga and we invested a lot in technological development and staff training. Now with many other enterprises established in the area we are facing huge problems because our trained workers are being bought over our head. Samsung, Volvo, VW, all are doing this." (2)

"There is no high turnover for the time being, but we are seriously concerned. Earlier it was Moscow that drained our staff, now it is the intensively developing Kaluga and the region. It is quite closely located and investments are being poured into the area with many enterprises already in operation and many in construction. Competition in the labour market is strong, it is the inflow competition. There are no cases of massive gain of workers from competitors so far, but it is becoming imminent to get down to systemic labour market analysis and staff retention and recruitment programs. Complications will be piling up in future." (14)

Loss of trained staff is a concern for both Russian and foreign MNEs. In fighting it Russian companies use widely apprenticeship agreements. Foreign employers are in a better position in this respect, since they have well-developed systems of financial and non-material rewards.

Differences in wages and career opportunities of Russian and foreign employees remains an issue that is traditionally associated with MNEs. Comparing advantages and disadvantages of being employed by Russian and foreign company, respondents often noted that to their knowledge in many foreign banks *"all top positions are occupied by expats and replacements are being recruited from among foreigners as well. Russian specialists are doomed to quite low positions even if they are highly qualified".*

None respondent, however, admitted that such problem was relevant for his/her own company[30]. In the majority of companies surveyed (Russian and foreign) there are both foreigners and Russian nationals among top managers.

"At earlier stages expats prevailed. Later Russian managers pressed slightly the foreign ones and made their way up. Till recently we had in our company expats as director and production manager, now Russian citizens are working on those." (3)

Anyway, the issue of limited career promotion opportunities as a potential cause for qualified staff outflow was mentioned by three Russian and three foreign companies.

The employment structure in Russian economy still features a relatively high share of workers with permanent contracts. However, like in other countries, atypical employment becomes an increasingly used practice. Outsourcing and outstaffing (as a means for raising efficiency of

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[30] Higher wages of foreign specialists in comparison with Russian ones were reported twice (one foreign company and one Russian)

production processes) have been borrowed by Russia from the West. Nowadays, Russian companies that follow Western HRM models also use those types of employment.

Nearly all respondents used to a greater or lesser degree those types in practice, but both Russian and foreign MNEs have not yet made their mind on how useful those types of employment might be for their operation.

“Our company has used outsourcing and outstaffing very little, as we see them as covert staff reduction.” (2)

“We regard such sources of labour as involuntary measure, as reaction to staff scarcity.” (14)

The survey showed that retail trade companies where high staff turn-over is a normal situation find no sense in staff leasing. Yet at the same time, food-producing enterprises (Russian and foreign) are readily turning to agency-recruited temporary workers as a way to offset seasonal fluctuations in demand for labour. At peaks of labour demand the share of such workers may reach 20 to 25%.

“Decorporation” of non-core activities and their outsourcing usually means a change for the worse for the workers of relevant units, because they lose guarantees and benefits which core personnel is entitled to. It is worth to note that outsourcing does not necessarily entail efficiency growth.

“From my work experience I remember once we outsourced service technicians and we got increased idle time of equipment.” (5)

At a production facility owned by a foreign MNE, the trade union managed to dissuade the enterprise management’s judgment that replacing regular employees with outsourced personnel was justifiable from work efficiency and safety prospective. Of great help in this was the assistance provided to the trade union by the Institute of Labour and Social Insurance under MoHSD in the form of a joint study on outsourced contractors. The study showed that some key economic indicators were at risk, if outsourcing is expanded.

Among the companies that are consistently against outsourcing not only on grounds of social issues, but of purely economic reasons, Norilsky Niquel makes a figure by actively developing social infrastructure: housing, resort and health rehabilitation facilities, network of retail outlets for workers and some other major social projects.

Employment, Staff Development and Restructuring

During the last decade all surveyed enterprises underwent restructuring to lesser or greater extent. The restructuring was not necessarily related to the crisis, and in nearly half of cases it was accompanied with staff dismissals. Respondents from three (Russian) enterprises noted that restructuring was coupled with increased number of workers.

Four respondents (2 Russian and 2 foreign enterprises) highlighted that that restructuring was a permanent process in their companies that had nothing to do with the crisis and, therefore, dictated by the standing need for higher efficiency of operations. In those cases restructuring entailed either minor layoffs or no dismissal at all.

“Restructuring in our company is an ongoing process and aims at elimination of unnecessary steps in a chain of 4 to 6 steps for a decision to be taken. But this does imply dismissals.” (5)

In two more cases (foreign MNEs) restructuring driven by the crisis was considered as an alternative to avoid dismissals.

“There were no dismissals, but we had re-engineering in 1998 and in 2008 too. We transferred staff to areas that could be potentially profitable in times of crisis.” (7)

Two more respondents stated that restructuring helped open up career and development opportunities.

"We kept all the staff, though some were moved to other units. Those who were better prepared and grown professionally were transferred with promotion." (8)

"We did restructuring, made career and personal development opportunities wider and managed to reduce employee turnover to 8%. Of course, it was due in part to the crisis." (3)

Only two respondents stated that restructuring led to discontent of workers and significant layoffs.[31]

"There was some resistance on the part of those who had worked 7-8 years. They used to do the same things day by day, so transferring displeased them. Some found that their duties grew." (3)

"Layoffs due to restructuring took place, indeed. That happened because of the crisis. Almost a third were dismissed, salespersons were offered other positions. Some accepted and some refused. The number of those who left was bigger." (15)

The 2008-2009 economic crisis led to adjustments of social commitments and impacted on staff training and development programs in most enterprises operating in Russia. According to RSSP estimates, the social programs were cut by a third.[32] The data obtained through our mini-poll (Tabl. 19) allows to assume that the crisis affected more Russian enterprises than the foreign ones. Still, we have found some Russian enterprises that survived the crisis without any significant loss.

Table 19

Impact of the crisis on corporate social policies

Company	Did the following event happen due to the crisis?				
	Production decline	Reduction of the staff	Wind-up of social programs, bonuses, etc.	Training budget cuts	Participation in State-funded re-training programs
Foreign					
1	No	No	No	no	No
2	yes, a bit	No	No	yes	No
3	yes, a bit	No	No	no	No
6	No	No	No	no	No
7	yes, a bit	No	Yes	yes	No
10	no	No	No	no	No
11	yes	Yes	Yes	yes	Yes
Russian					
4	yes	Yes	Yes	yes	No
5	yes, a bit	No	Yes	yes	No
8	yes, a bit	No	No	yes	No
9	yes	yes (by 60%)	yes	yes	No
12	yes	yes*	yes	yes	Yes
13	yes	No	yes	no	No
Russian with predominant foreign participation					
14	yes	No	yes	yes (by 2/3)	No
15	yes	yes (by 1/3)	yes	yes (by 50%)	No

* Reductions affected head office staff and some categories of specialists, but went unnoticed for production workers.

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[31] It does not mean that there was no complaint in other cases, it may simply mean that it did not created serious problems for the management.

[32] See Compendium of corporate practices of social nature. RSSP, March 2009 (in Russian) // http://archive.rspp.ru/Default.aspx?CatalogId=2257

During the crisis adjustments of training programs took place predominantly in external training, while development of corporate training programs even gained momentum.

"The crisis made us to stop using training service of external providers. We started to do training ourselves. And no external trainer invited. Interestingly, it has given rise to the design of some promising training programs." (7)

"During the crisis we had less training programs, but more focused and targeted and responding to very specific needs" (5)

Reduction of corporate training was predominantly linked with headcount reduction. Admittedly, other reasons were also mentioned.

"The demand for training during that period fell, as the workers looked less interested. Now the scope of training has restored." (14)

"Less training was mostly for the sales department employees: they had no time for training, since they focused on selling more" (2)

Some companies regarded training and re-training as a anti-crisis measure that allowed in times of declining production to avoid massive dismissal, social tensions and instability in the regions of presence and even to help develop human resources.

"The Siberian Coal Company launched re-training programs for miners and engaged them with the Affordable Housing Program in order to keep them for resumed activities in the mines after the crisis, so they were busy with construction activities for themselves…."

Examples like this have not been found among the surveyed enterprises. Still, even at enterprises that reported cuts in training programs, reduction was not, as a rule, significant and training activities were quickly restored to the pre-crisis levels.

"The training coverage was less during the crisis, and then it recovered quickly." (8)

"We were ready for the worse. At the very beginning we made some cuts of the training budgets, but when a year passed we understood that we managed to get through it better than we expected" (12)

7. Conclusions and Recommendations

The study has found out that though foreign investment and enterprises with foreign participation are not yet very visible in terms of quantity, their role is increasing, particularly through introduction of modern business techniques. In designing corporate social policy and shaping the social and labour relations the well positioned Russian companies follow Western best practices. This influence is revealed by the fact that even domestic enterprises use English managerial terminology. Managers of Western and Russian enterprises are moving at the unified labour market and bringing terminology, management methods and corporate culture along.

Foreign MNEs are, as a rule, law-abiding and avoid informalities, observing thus workers' rights as stipulated by the Labour Code. MNEs seek to fit into Russia's social and economic context and collaborate with government departments and agencies and with Russian employers' organizations for the purpose of using consultations with their officers to further their own ends. In this respect, no significant difference between major well-established corporations of Russian and foreign origin can be traced. The bigger is the company, the more responsible it is towards the personnel and the more active it is in its relations with the authorities.

MNEs have more regular contacts with local authorities at areas of their presence than with the central government. Unlike Russian companies that often lay stress on close personal links, foreign MNEs in their dealings with authorities are inclined to be guided by more formal rules and procedures. Noteworthy, complying with corporate ethics requirements hampers sometimes an efficient collaboration between foreign companies and the State which was the case in the implementation of anti-crisis employment programs.

The model of social and labour relations adopted by an enterprise is determined not only by the fact of being foreign or local, but also by such factors like company's economic weight and reputation, "load of soviet traditions and customs" and sectoral affiliation. This results in varied behavioral attitudes of both MNEs and local companies towards social and labour relations. Initially, Western enterprises distinguished, as compared to Russian ones, by well structured and formal mechanisms of employer-worker relations. Now newly established post-soviet Russian enterprises display a very similar industrial relations model.

The desire of Russian workers for getting a job at enterprises with foreign participation is eventually motivated by higher wages in this sector, in the first place, and stability of income. However, many experts state it is not payment that matters (at some Russian companies remuneration is higher), but a well-though system of social benefits and guarantees. It is also a point that labour is more intensive at foreign MNEs and workers are under tougher control. Foreign MNEs often apply double standards in respect to workers' right for representation, as is the case of MNEs that have trade union organizations at their enterprises abroad and have no union in Russia. It is a typical case for retail chains and for some other enterprises.

Issues relating to the exercise by workers of their representation rights arise also in Russian enterprises with no foreign capital. To a large extent they hinge on specific features of Russian workers' unions and population mentality that took shape under conditions differing drastically from those in, say, Western countries. Russian and foreign companies have little distinction in terms of unionization coverage and collective bargaining content. Distinctions become more visible when it comes to sphere of operation and enterprise early history: newly established enterprises not overloaded with "soviet traditions" usually either do not have trade unions at all or there an open or smoldering conflict there between management and active workers; trade unions are mostly present at manufacturing sector; sector-wise, observance of workers' rights leaves much to be desired in the retail trade sector. Worker-employer relations in MNEs are influenced in a positive way by the unions' involvement in the international trade union movement.

Practically all companies surveyed pointed out that the current education system fails to adequately train the required number of specialists. The education system sticks to standard curricula which drop behind seriously the modern requirements for production and technology. Thus in-company training is a necessary pre-requisite for complying with an adequate production process. Both Russian and foreign MNEs are willing to cooperate with Russian educational centers to modernize the training activities (especially with basic and vocational skills training), but obsolete legislation and passiveness of educational authorities is a stumbling block on the way for introduction of up-to-date modular training methodology.

Foreign companies more often emphasize the need for skills training and human capital development and have higher training coverage among employees and they have managed to maintain training activity scope. At the same time, successful Russian enterprises provide more varied training and use more individualized training programs. Foreign MNEs rarely have specialized training programs focusing workers other than their staff, however in-company training has inevitable spillover effect of transferring human capital and knowledge outside company.

Based on the findings of study and its discussion at a tripartite workshop organized by DWT/CO in Moscow on April 8, 2011, the following recommendations were made with a view to facilitate a wider implementation of the Declaration principles in Russia:

1. Since the study brought to light inadequate familiarity of the social partners and management of MNEs operating in Russia with the contents of the MNE Declaration, it would be expedient to raise awareness, dissemination and clarification in Russia of the Declaration and its

principles and objectives, as well as follow-up reports on Declaration implementation effect in other countries.

2. Taking into account the increasing MNEs' impact on country's social and economic development, problems relating to recognition of workers' right for representation at MNEs, as well as difficulties in reconciling Russian legal norms and traditions with both international norms and MNE home country norms and traditions, it would useful to set up a national advisory and counseling board (council, committee or working group) as a coordination tool for interaction between social partners at MNEs. Such structure could carry out the following activities:

- Identification and discussion of problems in and challenges for MNE operation, and elaboration of decisions and recommendations;
- Assistance in creation of trade unions organizations and collective agreements at MNEs, as well as in expanding the scope of trade union activities through inclusion of issues of skills training and development;
- Facilitation of an active and stable cooperation between MNEs and governmental agencies, employers' and workers' associations;
- Counseling on better reconciliation between corporate and international practices and Russian norms and regulatory requirements;
- Data collection on operation and problems that foreign MNEs face in Russia and Russian ones abroad with a view to break MNEs' excessive informational privacy;
- Awareness-raising and information activity on relevant issues, including publication of materials and fact-sheets.

3. Taking into account the unwillingness of many foreign MNEs to participate in the public anti-crisis programs that were implemented with a view to mitigate negative consequences of deteriorating market situations for the workers, it is recommended to include in the Declaration obligations of employers and governments that emerge in times of economic decline. At the same time it is necessary to strive for simplification of bureaucratic procedures related to enterprise participation in boosting employment programs, as well as training, retraining and learning programs conducted by State employment services. The recommendation for simplification also refers to procedures of certification, licensing and accreditation of corporate training centers and curriculum.

Finally, it should be noted that data on activities of MNEs in Russia is culled sparingly and the parameters covered are scanty, which impedes an impartial analysis and evaluation of the economic and social results of their activity. It makes quite pressing the need for further studies of the social and industrial relations set forth in the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. The future research could be undertaken along the following major lines:

a) identification of intersectoral differences in MNEs operation in Russia based on the assumption formulated by this study, i.e. corporate social policies are more influenced by sectoral affiliation than by national identity;

b) survey of MNEs workers with a view to get their opinion on corporate social policy followed by it comparison with that of the social partners and other stakeholders of social and labour relations.