Work-Life in Russia

Russia is the largest country in the world, expanding over eleven time zones, with the overwhelming majority of its 140 million people residing west of the Ural Mountains. Rich in natural resources and cultural history, Russia has surged in the last decade following smooth political transitions and strong economic growth. Russia's vibrant market continues to attract foreign investment and global employers. As Russia positions itself to emerge as a global economic power, employers seeking to distinguish themselves as employers of choice will need a better understanding of the dynamics between work and personal lives. This briefing provides background for work-life issues in Russia and offers recommendations for organizations implementing work-life initiatives there.

Political Environment

According to the constitution of the Russian Federation, which was adopted in 1993 following the collapse of the Soviet Union in 1991, Russia is a federation and formally a semi-presidential republic with the democratically chosen President as head of state and the Prime Minister as the head of government. The federal government consists of three branches, including the legislative branch (State Duma and Federation Council), the executive branch (with the President also the commander-and-chief of the military), and the judicial branch (Constitutional Court, Supreme Court, Supreme Court of Arbitration, and lower federal courts).

Following the successful and very popular eight-year presidency of Vladimir Putin, Dmitry Medvedev became the President of the Russian Federation in May of 2008. Mr. Putin's popularity was based in part on his positioning himself as “the symbol of a resurgent nation recovering from years of humiliation and weakness” (Economist, 2008). The Constitution prevented Putin from being elected for a third consecutive term as President, so Medvedev, Putin’s hand-picked...
successor, swept to an easy election victory. In turn, President Medvedev requested that Putin accept the appointment of Prime Minister. Many observers still consider Premier Putin to be the dominant political force in Russia, and since his election in 2000 there has been a strong perception of government stability (Political Risk Services, 2009).

While the Russian government may still have vestiges of its autocratic history, the state is not perceived to interfere in people’s personal lives (McFaul & Stoner-Weiss, 2008). The state gives citizens the freedom to make money, consume, travel abroad, drive foreign cars, and listen to any music they like. They are even free to criticize the government of the Russian Federation on radio, in print, and on the internet, though not on government controlled television stations. The support and high level of popularity among the general population for Putin is genuine (Carriere-Kretschmer & Holzworth, 2009).

The legal system is still changing and attempting to adapt to Russia’s relatively new economic model. Various government departments are creating new laws on a broad array of topics related to business activities. “In this environment, negotiations and contracts for commercial transactions are complex and protracted...Uneven implementation of laws creates further complications: various officials, branches of government and jurisdictions interpret and apply regulations with little consistency and the decisions of one may be overruled or contested by another. As a consequence, reaching final agreement with local political and economic authorities can be quite a burdensome process” (Political Risk Services, 2009).

Corruption is a continuing problem in Russia and President Medvedev has made its reduction an important priority in his administration. Many local governments are “still dominated by former Communist Party bigwigs,” who own businesses in the community that receive “sweeping perks and preferences.” However, other businesses that are seen to compete with these well-connected local businesses may be subject to “tax audits, punitive fines, and intrusive inspections;” administrative obstacles that Putin and Medvedev are trying to remove (Chazan, 2005).

**Economic Environments**

As a result of the dismantling of the USSR in 1991 and the demise of its centrally planned economy, the Russian economy experienced a dramatic transformation in the 1990’s. This continuing transformation from a centrally planned economy to one based upon market forces and private property has not come without difficulties. The Russian Federation has been challenged by “excessive government control, political instability, [and] inefficient economic policy,” (Kedia, 2006). Despite these challenges, Russia has experienced positive economic growth; 10 straight years of growth averaging 7% annually since the financial crisis of 1998 and ended 2008 with GDP growth of 6%. Over the last six years, fixed capital investment growth and personal income growth have averaged above 10%, but both grew at slower rates in 2008. Foreign direct investment continues to grow in Russia, totaling over US$72 billion in 2008, up from US$55 billion in 2007 (Central Bank of Russia, 2009). In 2008, Russia had the 7th largest economy (GDP/ppp) in the world, just behind Germany and ahead of the UK. GDP per capita (ppp) was US$16,100 in 2009, ranking it 73rd of 229 countries (CIA World Factbook, 2009).

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<th>Figure 1: Russian socioeconomic indicators</th>
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Source: CIA World Factbook, Russia

Over the last decade, poverty and unemployment declined steadily and the middle class continued to expand. Russia also greatly improved its international financial position, running balance of payments surpluses since 2000. Foreign exchange reserves grew from $12 billion in 1999 to almost $600 billion by the end of July 2008. In 2009, the world economic crisis slowed these developments and contributed to an increase in unemployment rates, from 6.5 to 8.9%. In addition, inflation has been persistently high; the current rate of 14.1% puts Russia in the 186th position of the 222 countries measured (CIA World Factbook, 2009).

Economic growth in Russia is driven largely by non-tradable services and domestic manufacturing. Russia has the 8th largest reserves of oil, the world’s largest reserves of natural gas, 25% of the world’s timber reserves, and substantial reserves of metals, especially nickel and gold. These natural resources account for the overwhelming majority of Russia’s exports and are a significant source of foreign currency reserves. While this dependence may be understandable given the richness of the country’s natural resources, it leaves the country’s
economy vulnerable to potential swings in world prices, such as those experienced during the 2008-2009 time period. In mid-November of 2008, mini-devaluations of the currency by the Central Bank caused increased capital flight and frozen domestic credit markets, resulting in growing unemployment, wage arrears, and a severe drop in production. Despite some concern about the state of financial institutions, the stock market nearly doubled in the first 9 months of 2009.

Social and Family Demographics

The Russian population in 2009 is estimated to be 140 million people with 71% of the population between 15 and 64 years of age. Within this group approximately 52% are women. The birth rate of Russia has averaged only 1.34 for the last five years, well below the birth rate of 2.0 needed to maintain a country’s population. Russia’s population is forecast to continue to decline from its high in the early 1990’s of approximately 148 million to 116 million in 2050 (United Nations, 2008). In order to prolong lives and halt this population decline, President Medvedev has committed to improving health services, particularly cardiovascular services since cardiovascular disease is a leading cause of death in Russia (Parfitt, 2009).

Life expectancy in Russia is 66 years for the entire population: 59.33 for males and 73.14 for females. There has been a steady decrease since the high of 70.1 years for the entire population in 1970. This low life expectancy relative to other developed nations is due in part to the quality and availability of health services in the country. In addressing the origin of this issue, Dr. Boris Rozenfeld of the Russian Academy of Sciences suggested “the crisis in Russia’s health care system has continued for a number of years. Despite the large number of hospitals and a huge army of medical doctors, they been [sic] unable to provide people with an acceptable level of health care services. This is mainly due to a continued lack of funds, medical and technical equipment and supplies, and, finally, to the ineffective organization of health care delivery services.” (Rozenfeld, 1996). However, due to the Federal Health Program budget increases begun by then-President Putin and supported by President Medvedev, the situation in the health care system over the past several years has begun to see significant improvement through the increasing availability of modern diagnostic equipment and better access to medication.

Johnson & Johnson, LLC, the largest healthcare company in Russia since 2006, contributes to these government initiatives by actively supporting healthcare reform and education. They support training for medical professionals, care for children with chronic illnesses, contribute to major HIV/AIDS philanthropic programs, and many other initiatives. These efforts have not gone unnoticed: Johnson & Johnson received the 2005 Annual Corporate Social Responsibility Award from the Russian government and the 2006 Moscow Employer of the Year Award. Johnson & Johnson, LLC has continued to partner with the government in order to provide quality healthcare for every Russian man, woman, and child (Johnson & Johnson, 2006).
Given these and similar suggested cultural differences, a new study was conducted to examine the causes of work-life role strain among samples of sales representatives and managers in the U.S. and Russia. Findings suggest that Russian employees perceive a lack of clarity of work roles, which contributes to role conflict, where employees perceive conflicting demands in the workplace. In turn, this role conflict contributes to reduced job performance, reduced job satisfaction, and increased strain on the work and family relationship. These stressors influence overall life satisfaction, which was found in this sample to be significantly lower in Russia than in the U.S. In order to provide greater work role clarity, managers in Russia can positively impact job and overall life satisfaction and performance by using methods such as “clear territory management guidelines, job descriptions, performance appraisals, training programs, and clear and consistent field supervision” (Engle & Dimitriadi, 2007).

The Work Environment

The Russian work environment is heavily influenced by Russian cultural norms. A number of research studies have identified these cultural norms and their implications for behaviors within a Russian work environment.

With data from over 17,000 managers in 951 organizations and from 62 different societies around the world, the GLOBE research project identified cultural characteristics of the societies included (House, 2004). One of the dimensions that distinguished the Russian sample from the U.S. sample, for example, is the Russian approach to minimizing uncertainty and ambiguity. According to the study, Russian respondents had the lowest score for uncertainty avoidance practices of the 60 sample countries, but a relatively high score for valuing somewhat greater uncertainty avoidance. The differences suggest a relative acceptance of ambiguity and uncertainty within the workplace along with a desire for greater workplace rules and certainty in the future. According to the authors of the GLOBE Project, a low score such as Russia’s would suggest a current tendency “to be more informal in their interactions with others…be less concerned with orderliness and the maintenance of records…be less calculating when taking risks…show less resistance to change…[and] show more tolerance for breaking rules.” A country with higher scores in uncertainty avoidance such as the U.S. would “have a tendency towards formalizing their interactions with others…be orderly, keeping meticulous records…take more moderate risks…show a stronger resistance to change…[and] show less tolerance for breaking rules” (House, 2004).

The World Values Survey (2006) data indicates that life satisfaction is lower in Russia (6.1/10) than in the U.S. (7.3/10). It also ranks a number of additional cultural factors and their importance (see Figure 2). On a 10 point scale (10 = high) the Russian sample population scored their freedom of choice and control at 7.0 (U.S. approximately 60% of marriages ending in dissolution results in a predominance of single mothers. To address this trend, then-President Putin declared 2008 the “Year of the Family” which included a new holiday, the “Day of the Family, Love and Fidelity,” also called “Family Contact Day” (July 8). This holiday was designed to encourage more stable families with two parents caring for their children (Rodin, 2008).

Figure 2: Russian and American Values

![Figure 2: Russian and American Values](image-url)
7.6) and their satisfaction with their financial situation as 4.7 (U.S. 5.9). In Russia 37% of the sample thought men should have more right to a job than a woman (U.S. 7%) and 81% felt employers should give a job to national citizens before giving a job to an immigrant (U.S. 55%). Also in the Russian sample 60% said they had little or no trust in people from another country (U.S. 25%) and 23% felt that they were “very” traditional (U.S. 18%).

Another research study examined 1,500 employees in the Russian cities of Taganrog (a port city on the Azov Sea approximately 600 miles south of Moscow with a population of about 280,000 people) and Yekaterinburg (Russia’s fifth largest city in Central Russia with a population of approximately 1.2 million people). This study found that employees with an internal locus of control (individuals who believe that the outcomes they experience are consequences of their own behavior) perform better than those with an external locus of control (individuals who believe that the outcomes they experience are outside their control) (Linz, 2008). For employees in Taganrog with an internal locus of control, the most important expected rewards for good work were “feeling good about yourself” and “developing more skills;” and for employees in Yekaterinburg they were “friendly co-workers,” “respect of co-workers,” “job security,” and “feeling good about yourself” (all scores very close together). Interestingly, the study also found little difference between younger and older workers.

Research has suggested that the most important factors contributing to employees’ overall satisfaction are as follows (Bredinsky, 2009):

1. Level of wages
2. Cost of living
3. Home and neighborhood security
4. Pre-school child care center security
5. Access to quality school education
6. Access to quality public health services
7. The operating schedule of the company
8. Pension programs
9. Access to fitness centers
10. Perks offered by the company

The above studies suggest Russia to be similar to the U.S. with regards to a wide range of areas such as importance of family and friends; the potential negative impact of poor work-role clarification and work-life role strain on job satisfaction and job performance; and the importance of success as well as the importance of interesting and meaningful work, job security, and friendly and respectful co-workers. However, there are significant differences as well. Russians are less satisfied with their financial situation than are Americans and see religion as somewhat less important in their lives. They also have a different view of the role of women in society with a significantly higher percentage of subjects compared to the U.S. believing that men should have more rights to jobs than women.

**Women: the Changing Gender Agenda**

During the 1990s Russia’s individual and family wealth began to significantly increase. This was due largely to the rapid development of small family businesses often supported not only by family members but also by close friends. This network of family and close friends was also seen as needed protection in what was, for Russians, an unstable and complicated world following the dissolution of the Soviet Union. Despite this need for family support, some research has suggested that there was a “stark perceived deterioration of family relationships” with those deteriorations in close family bonds being explained by short-term family stress and the weakening of extended families perhaps due to “more long-term individualization pressures” (Swader, 2007).

During what still might be considered the socio-economic transition period in Russia, the significant advancement of women in managerial and professional fields in the Soviet era has been seen to be reversing (Metcalfe, 2005). In Soviet times, women were expected to work and working mothers received extensive child-care support, generous maternity leave and allowances and flexible working arrangements. In contrast, today’s political messaging promotes the natural role of women in raising families, and the government has not been providing childcare as in the past despite continuing to hold to the legacy of Soviet times regarding an equal society. As a result the roles of women in the family have tended to become differentiated along generational lines. Women over 55 years of age believe in the Soviet model that “the wife should work on the same level with the husband to earn the means for the family maintenance,” whereas many of the younger generation of women see the husband as the sole economic support for the family, a more traditional view common to many non-communist societies.

Similar to Western countries, there tends to be a gender-based clustering in work management roles. Women represent 54% of managers in housing and social services; 5% in transport; 7% in construction; and 11% in science fields. Research suggests that “stereotypical perceptions of managerial skills and qualities, alongside the devaluing of feminine traits, are wide-
spread among women professionals.” Women who want to advance their careers, gain access to training and be considered for professional management development are expected to have an attractive feminine appearance and at the same time demonstrate more masculine management traits. Also contributing to gender discrimination in managerial recruitment and development are the “anti-feminist agenda and limited attention to gender and employment policy” that appear in Russian politics and work environments (Metcalf, 2005). Research has found that “women earn significantly less than men and have a much lower expectation of promotion,” and this experience with discrimination and unemployment has a negative influence on performance (Linz, 2008).

It should also be noted that at the same time that the Russian government has been concerned about a perceived breakdown in gender and family relations, “policy makers have promoted biological differentiation as part of a strategy to encourage women to stay at home and look after children, thereby freeing up jobs for men. This new approach was deemed necessary in order to prepare young people adequately for adult roles which would now be presented clearly structured along gender lines” (Metcalf, 2005).

Thus, the way families look has begun to differ from the original “working mother” Soviet model, with many researchers suggesting that there is no longer a “standard” model of family in Russia. People often postpone an official marriage even though they cohabitate, while others use a “weekend model” where they each have their own apartments but spend weekends and holidays together (Zdravomyslova, 2006).

### Shaping the Work-Life Agenda: Public and Private Human Resource Policies

#### Health and Wellbeing

The Russian government, through the obligatory medical insurance system, covers emergency care, medical coverage for a wide variety of serious diseases, and preventative medical treatments, all in accordance with the guidelines established by the government. Employees and employers often share the contributions required for the Obligatory Medical Insurance Fund.

Leading employers in Russia, such as **Bayer** and **Sanofi-Aventis**, also assist with the additional costs of Voluntary Medical Insurance for their employees and their family members. This Voluntary Medical Insurance covers costs associated with the treatment of diseases not covered by the obligatory insurance, dental coverage, and elective medical care such as cosmetic surgery. **Dell** in Russia covers employee medical insurance and provides additional programs for pre-and post-natal health care for mother and for the baby immediately after the birth.

Employees within private companies are paying increasing attention to their health and their appearance. As a result, the companies organize sports clubs, sport teams and children's sports clubs (Gazprom), sports and athletic competitions (Gazprom); and hockey competitions – (“MTS Cup”). At the same time, the companies often pay for the employees’ membership fees providing more of them the opportunity to use fitness centers. Athletic teams of national Russian companies also participate in mini-football (Vimpelcom) and car racing (MTS) competitions. The opportunity for **Dell** employees to participate in social wellbeing events like the summer rafting trips and the use of fitness facilities allows employees to take care of their health and connect in an informal and social way with their colleagues. The Annual Dell Kids’ Day, when employees’ children and spouses come on site and have an enriching and social day together with their parents creates a very warm and welcoming atmosphere.

#### Parental Leave and Care of Children

In order to encourage population growth and family support, the Russian legislation accords generous parental leave policies. A pregnant woman has a right to a paid maternity leave of 70-84 days before childbirth and of 70-110 calendar days after childbirth. Maternity pay comes from a government Social Security Fund to which both employees and employers contribute. The government also supports a child care leave program in which a mother can take up to three years from her position to care for her child. During this time she receives a government allowance equivalent to half of her annual salary and the company guarantees her the same level position upon her return. Women are completely protected by Russian legislation from dismissal when taking maternity leave or leave to care for a child. In practice, women working in private companies do not usually use the entire maternity leave provided by the government. Some women fear missing opportunities for career development which often leads them to reduce the duration of their leave to 5-10 months rather than the 3 years they are allowed. Paternity leaves are also permitted although the care of the child still usually falls on the mother (Motiejunaite, 2008, p. 38). Many companies allow an employee who needs to be away from work for several days (for example, in a case of illness of his/her parents) to take vacation without pay.
In 2007 the Russian government introduced the “maternal financial incentive” program, a program providing approximately 300,000 rubles (US$10,000) for the birth of a second child. This financial incentive is received after three years from the date of a birth (or adoption) of the child and may only be used for three types of allowable expenses: buying a home in the territory of Russia; payment for education of the child (only in the Russian schools and universities); and allocation to the mother’s pension fund (Rossiyskaya Gazeta, 2009). With the advent of the current economic crisis the Russian government is also giving these same families a single payment of 12,000 rubles (approximately US$400) before the end of the three year period.

Flexibility
There are several Russian national companies and some multinational companies that use flexible work arrangements in Russia. Approximately 17% of Russian companies permit flexible working schedules for the full-time employees although 94% of employees indicated that they would like to take advantage of them (Mitricas, 2004). Opportunities for flexible schedules are mostly available for office employees, with less availability for field sales managers and sales representatives. Nevertheless, they try to use flexible scheduling when it is appropriate for the business. Dell Inc., for example, offers work-life initiatives like flexible work schedules and work from home.

It is very unusual for an employee to work at home in a city where a company office exists. As a whole, Russian managers prefer to have their staff sitting in the office or working “within a zone of their effective control.” This philosophy is especially prevalent in Russian-owned companies and remains one of main reasons preventing flexible work arrangements from becoming more widespread in Russia.

Commuting
Organizations assist their employees’ commute by providing special buses to transport employees to the office, with parking garages located at bus stops outside of Russian city limits. This helps minimize the difficulties associated with a shortage of multistory and underground parking for cars in the Russian cities, and encourages employees to use the efficient and extensive Russian subway system. In Russian companies, a limited number of employees, mostly field sales representatives and senior managers, are provided with a company car.

Talent Management
Development of talented employees in Russian companies (for example, Vimm-Bill-Dann) is realized through training programs, leadership development programs and coaching. Team building skills are mastered using outward bound type programs in which management organizes different activities for their employees in non-traditional and sometimes very challenging situations.

At Vympelcom there is a committee dedicated to tracking key management talent. Top managers comprise this committee and are responsible for nominating their most successful line managers and directors. In addition, some companies, like Lek and Sandoz, pay for business school education of their managers.

Corporate Social Responsibility
Some employers encourage bonding and engagement through volunteer projects. Kraft, for example, organized a global volunteering effort for employees, the first of its kind for the company. In Russia, over 200 employees gathered for a week to plant trees, repair playgrounds, and cultivate gardens in their communities.

Employee Relocation
Relocation of an employee to other cities is a common practice for many national companies in Russia. Some companies, such as the Russian Internet company, Yandex, offer prospective specialists who are living in other regions and want to work for Yandex the opportunity to move to Moscow offices. The pharmaceutical distributor, Protek, has a program of managerial rotation in which managers from various regions are rotated into the central offices for 1-2 years. In this situation employees’ expenses for the relocation are covered by the company including housing allowances.

For international companies relocating employees to Russia on short- or long-term assignments, attention must be paid to local regulations. Russian law requires anyone working in or for a Russian branch of a company, whether residing in Russia or not, to have a local Russian employment contract and be paid a ‘reasonable’ Russian salary for the work they undertake. For FM Global, this has resulted in some employees having two contracts – one for their home country and another for Russia. The company is also very careful to follow Russian tax regulations for business expenses to ensure that the individual employee is not liable for any additional tax burdens.
Conclusion: Striving for Employee Satisfaction in Russia

In summary, for companies operating in Russia, the opportunities for growth and development are substantial, yet there are social and economic considerations and regulatory requirements to which human resource professionals should pay special attention. When implementing work-life programs in Russia, strategic organizations should consider these factors:

1. Wages in large cities, especially in Moscow, are much higher than in smaller cities and in the countryside. As a rule, companies offer employees a level of wages and benefits that correlate to the company’s size and market position. Wages also reflect cost of living and are higher in certain geographies such as Tyumen and Norilsk in order to attract talented employees.

2. There are both state and private pension programs in Russia. The current level of pensions tends to be relatively low, although the government is continually raising the minimum pensions and is also introducing some special programs to improve pension benefits.

3. Since 2006 there has been a considerable increase in the availability of affordable housing and mortgages due to government incentives such as interest rate subsidies on mortgages, subsidies to young families, and a military mortgage program (Mortgage-Russia, 2008). Due to high property costs, companies should consider distinctions in housing costs when planning wage levels for their employees.

4. The shortage of public pre-schools, especially in large cities, often delays the ability of young mothers to return to work (ILO Moscow, 2009). Organizations should consider providing support to families through information on waitlists and public and private pre-school centers, and education grants to help with the costs of quality care.

5. Despite the growing private health care sector, most Russians still prefer government-affiliated hospitals which provide free obligatory care (Freedmann, 2008). In order to ensure their employees receive the highest quality care, organizations should obtain information on local public and private care centers and health insurance options.

6. Physical fitness centers have become popular with employees and are available throughout major cities.

7. Employers should continue to expand their flexible options, as the demand for flexibility is constantly increasing.

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