The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Contract Labor Bill Could Be Revised, Ministry Says

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February 09, 2011



The much-contested bill to outlaw contract labor needs to be amended to accommodate market concerns before the State Duma can consider it, Health and Social Development Deputy Minister Alexander Safonov said Wednesday.

"We are looking for a consensus," Safonov said. "We cannot close a whole sector of the economy."

State Duma deputies and labor rights activists say firms that supply contract labor trample employee rights and lower the standard of working conditions in the country, and want such workers to receive the same rights and treatment as full-fledged employees.

Although the bill is likely to be considered by the State Duma in May, debate is heating up between business leaders, labor activists and the government.

Currently there are no provisions in the labor code that address agency-provided contract labor. The bill, which would make it illegal for companies to pass on the tasks of recruiting and hiring workers to a third party, will impede business operations, especially for large international companies who face lengthy bureaucratic procedures from within when hiring.

International business leaders, concerned about the potential law's effect on their activities in the country, spoke out at a conference on Monday against the bill.

Banning contract labor will drastically increase unemployment, complicate the hiring of foreign specialists and make the market less flexible, said Olga Bantsekina, head of the committee for labor resources of the Association of European Businesses, or AEB.

"What if a factory needs 180 workers right away? Where will they get them?" said Bantsekina, who also runs Coleman Services, a British-based staffing agency that provides workers to international companies with offices and production facilities in Russia. "They won't be able to reach production goals," she said.

Nearly 75 percent of foreign companies and 35 to 50 percent of Russian companies use agency labor, employing 70,000 to 100,000 people, or 0.2 percent of the work force, according to AEB statistics.

Many unregistered companies have sprung up to meet the market demand for staffing services, so the real statistics are much higher, said Yelena Gerasimova, director of the Center of Social and Labor Rights.

Such firms are likely to engage in shady or unethical practices, including withholding paychecks, creating near-slave labor conditions and housing out of town workers in inhuman conditions.

Because an outside firm is used to hire and sometimes even manage contract workers, a company using a staffing agency bears less responsibility for providing proper working conditions and does not have to notify them in advance of termination and is not likely to provide any extra benefits, like emergency medical care or additional insurances.

Any discrepancies about salary or hours worked are also not the problem of the company that gets staff through an agency.

"It leaves people in a very vulnerable situation," Gerasimova said.

Nadezhda Sysuyeva, a 47-year-old confectioner from Kirov, an impoverished region in the western Urals, was hired by a staffing agency to work in one of Moscow's chocolate factories.

Sysuyeva said that after she got to the capital she learned she would receive a salary three times less than she had been promised, paychecks were withheld and she and the other mostly female contractors were made to work excessive hours.

They were charged for dormitories that were supposed to be supplied for free, and terminations were random and massive. A manager appointed by the staffing agency supervised the contractors, so they could not bring their grievances to the factory.

Since the staffing firm was located in a faraway city, they were left with no options.

"They would throw 200 people into the street," Sysuyeva said. "Sometimes the women wouldn't eat for three days."

Sysuyeva was able to switch to another staffing agency and now works under better conditions at the same factory. But many of her coworkers fled the city, with no hope and empty pockets. Some women sold their jewelry or clothes to pay for the long trip home.

The AEB proposes legalizing staffing agencies and regulating them, since there is already a developed demand for their services. In the last 15 years, contract labor has grown worldwide, with 2.2 percent of the U.S. workforce and 5 percent of the British working as agency employees.

Regulating the activities of staffing agencies is impossible, said Oleg Shein, a State Duma deputy with A Just Russia. He compared legalizing and controlling agency labor to legalizing and monitoring drug sales.

Since the Duma condemned oligarch Mikhail Prokhorov's proposed amendments to the labor code, which included a 12-hour workday without overtime pay, there has been a movement in the parliament to improve labor rights, Shein said. The bill would be a move in that direction.

Leasing personnel is a huge convenience for foreign firms, especially in an emerging market. If agency labor is declared illegal, business growth and development of new projects and ventures will take much longer.

"Companies will have to take on more labor risks and they will have to be more careful with labor laws," said Sergei Sokolov, a partner at Marks & Sokolov law firm.

State Duma deputies Andrei Isayev and Sergei Tarasenko proposed the controversial bill last November. The motion to consider the bill in December did not go through because the Health and Social Development Ministry intervened, saying the bill needs to be modified to consider business interests.

"The business environment is changing, and the government needs to see its role more clearly," Deputy Minister Safonov said. "This problem should be seen systematically. We need to find the answers."

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