

Contingent Workforce in Russia: Legislative Challenge or a Promising Opportunity?

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February 11, 2013

The  Moscow Times



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A contingent workforce in Russia has become a hot topic and tops the list of the most discussed human resource issues in the country. What are the real benefits of a contingent workforce, and what are the best practices that should be taken into consideration? What value does it bring to the Russian market?

By definition, a contingent workforce is a provisional group of workers who work for an organization on a non-permanent basis, also known as freelancers, independent professionals, independent contractors or consultants.

Today, the workplace is changing. While there are many factors that influence this change — including economic conditions, an aging workforce, and changing worker attitudes — the workplace has become unpredictable for businesses and workers alike. As a result, businesses need flexible talents to fill the gaps, and at the same time, workers are looking for more freedom and flexibility.

Following the worldwide trend, temporary staffing is becoming more and more dynamic on the Russian labor market, and it is no wonder that it has attracted lots of attention of the bodies concerned with compliance with the respective labor legislation over the past few years. Being a hot topic equally among government authorities, employee representatives and within the HR community, in a short-term perspective, temporary staffing requires a clear definition of its legal status. Currently, the only way for Russian companies to attract temporary staffing under Russian law is by concluding “service agreements” with recruiting companies. Under such agreements the recruiting companies undertake to provide certain services to a client and assign certain employees the provision of such services to the client. However, up to now no changes related to the regulation of employee temporary staffing have been formally implemented in the Labor Code, meaning there is still a great deal of ambiguity for all parties involved — engaged contractors, service agencies and their client companies.

There are several misconceptions today about being a contractor, among those being the misuse of workforce, lower pay level, absence of employment guarantees and social benefits, all of which are not true. International companies' experience based on cooperation with reputable agencies shows that the latter observe labor legislation, pay taxes and do not tend to mislead their contractors.

Temporary staffing is considered advantageous for both parties, and the prime benefit is flexibility: in type and amount of labor resources for the companies and a variety of assignments and projects for the contractors. The contractual work style is an ideal solution; the increased freedom, flexibility, and opportunities provided is the primary reason that workers choose it over traditional employment, and this is especially true for young people (around 69% of contractors are young): a contractual arrangement allows a wider range of opportunities, industries, businesses, and gives a chance to try oneself in different roles. Lacking actual work experience, young specialists become successful in creating career records that enable them to get permanent jobs aligned with their aspirations. Specialists engaged on project work have opportunities to diversify their experience within large companies, and become considered for a long-term assignment in the future.

The irrefutable benefit of engaging a contingent workforce is the opportunity to have immediate access to expertise not present internally. For example, for the IT industry, where an increased volume of work requires a quick response, this is an assurance that the customers' requirements will be met. The changing business landscape and economic situation requires an employer's flexibility in bringing the right expertise depending on the demand.

Reputable agencies guarantee that contract workers get the same level of social benefits, and the client company as an employer on the market will not jeopardize its reputation, as eventually it will have an impact on its overall image, depriving it of opportunities to attract people it is interested in: The employer values its reputation and will not allow unfair treatment and misuse of workforce.

Thus, accreditation of service agencies is viewed as an important and reasonable step in setting up the appropriate status of the companies offering temporary staffing. What we see now is that the labor market is seeking government support in restricting unreliable providers and ensuring respective regulations, so the presence of shady companies — which gives a negative perception of temporary staffing — is not limited.

It is apparent that temporary staffing requires the introduction of legislative changes and new regulations; up until now legislative initiatives varied between restrictions and prohibiting, and did not address frustration over the topic among the involved parties.

The situation is expected to change dramatically this spring, when, according to Andrey Isaev, Chairman of the Labor, Social Policy and Veteran Affairs Committee of the State Duma, "the ban on temporary staffing in Russia" setting forth restrictions in outsourcing will be adopted. The key point here is that the law will fully prohibit a narrower aspect of temporary staffing — outstaffing, rather than outsourcing as a concept, meaning client companies will retain the right to engage companies providing their core services, varying from office cleaning to payroll support. If this law is adopted it will put an end to the practice of client companies

engaging temporary contractors via recruitment agencies that offer a wide range of personnel based on the client's requirements.

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