

THE EMPLOYMENT  
LAW REVIEW

NINTH EDITION

Editor  
Erika C Collins

THE LAWREVIEWS

THE  
EMPLOYMENT  
LAW REVIEW

NINTH EDITION

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# PREFACE

Every winter we survey milestones and significant events in the international employment law space to update and publish *The Employment Law Review*. At that time, I read the Preface that I wrote for the first edition back in 2009. In that first edition, I noted that I believed that this type of book was long overdue because multinational corporations must understand and comply with the laws of the various jurisdictions in which they operate. This continues to hold true today, and this ninth edition of *The Employment Law Review* is proof of the continuously growing importance of international employment law. It has given me great pride and pleasure to see *The Employment Law Review* grow and develop over the past eight years to satisfy the initial purpose of this text: to serve as a tool to help legal practitioners and human resources professionals identify issues that present challenges to their clients and companies. As the various editions of this book have highlighted, changes to the laws of many jurisdictions over the past several years emphasise why we continue to consolidate and review this text to provide readers with an up-to-date reference guide.

Our first general interest chapter continues to track the variety of employment-related issues that arise during cross-border merger and acquisition transactions. After a brief decline following the global financial crisis, mergers and acquisitions remain active. This chapter, along with the relevant country-specific chapters, will aid practitioners and human resources professionals who conduct due diligence and provide other employment-related support in connection with cross-border corporate M&A deals.

Global diversity and inclusion initiatives remained a significant issue in 2017 in nations across the globe, and this is the topic of the second general interest chapter. In 2017, many countries in Asia and Europe, as well as South America, enhanced their employment laws to embrace a more inclusive vision of equality. These countries enacted anti-discrimination and anti-harassment legislation as well as gender quotas and pay equity regulation to ensure that all employees, regardless of gender, sexual orientation or gender identity, among other factors, are empowered and protected in the workplace. Unfortunately, there are still many countries where certain classes of individuals remain under-protected and under-represented in the workforce, and multinational companies still have many challenges with tracking and promoting their diversity and inclusion initiatives and training programmes.

The third general interest chapter focuses on another ever-increasing employment law trend in which companies revise, or consider revising, social media and mobile device management policies. Mobile devices and social media have a prominent role in and impact on both employee recruitment efforts and the interplay between an employer's interest in protecting its business and an employee's right to privacy. Because companies continue to implement 'bring-your-own-device' programmes, this chapter emphasises the issues that multinational employers must contemplate prior to unveiling such a policy.

Bring-your-own-device issues remain at the forefront of employment law as more and more jurisdictions pass, or consider passing, privacy legislation that places significant restrictions on the processing of employees' personal data. This chapter both addresses practice pointers that employers must bear in mind when monitoring employees' use of social media at work and provides advance planning processes to consider prior to making an employment decision based on information found on social media.

In 2015, we introduced the fourth and newest general interest chapter, which discusses the interplay between religion and employment law. In 2017, we saw several new, interesting and impactful cases that further illustrate the widespread and constantly changing global norms and values concerning religion in the workplace. Religion has a significant status in societies throughout the world, and this chapter not only underscores how the workplace is affected by religious beliefs but also examines how the legal environment has adapted to such beliefs. The chapter explores how several nations manage and integrate religion in the workplace, in particular by examining headscarf bans and religious discrimination.

In addition to these four general interest chapters, this ninth edition of *The Employment Law Review* includes 46 country-specific chapters that detail the legal environment and developments of certain international jurisdictions. This edition has once again been the product of excellent collaboration, and I wish to thank our publisher. I also wish to thank all of our contributors and my associate, Marissa Mastroianni, for her invaluable efforts to bring this edition to fruition.

**Erika C Collins**

Proskauer Rose LLP  
New York  
February 2018

**ERIKA C COLLINS**

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Erika Collins is a partner in the labour and employment law department and co-head of the international labour and employment law group of Proskauer Rose, resident in the New York office. Ms Collins advises and counsels multinational public and private companies on a wide range of cross-border employment and human resources matters throughout the Americas, Europe, Africa and Asia.

Ms Collins represents US and non-US employers in all aspects of company growth and restructuring, from office openings, executive hires and workforce expansions to company downsizing, employment terminations, mass lay-offs and office closures. She advises clients on preparing competitive employment packages and agreements, such as separation, expatriate and consulting agreements, that are compliant with local laws, as well as on payroll, benefits and vacation issues. Ms Collins regularly conducts multi-country audits of employment laws and practices in order to provide advice to clients regarding compliance with data privacy, fixed term contracts, outsourcing, and working time and leave regulations among numerous other issues.

Additionally, Ms Collins advises employers on sexual harassment and other misconduct allegations, as well as cross-border investigations. She also is experienced in conducting due

diligence on international subsidiaries and advising on applicable business transfer laws and employee transition issues in cross-border M&A transactions.

Ms Collins is the editor of *The Employment Law Review*, which covers employment laws in 46 countries. In addition to authoring numerous articles on international employment topics, Ms Collins is a regular speaker at the International Bar Association and the American Bar Association. Topics on which she has written and spoken recently include: cross-border transfers of executives; global mobility issues for multinationals; employment issues in cross-border M&A transactions; the landscape of issues in international employment law; global diversity programmes; the intersection of EU privacy and anti-discrimination laws; and cross-border investigations.

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# RUSSIA

*Irina Anyukhina*<sup>1</sup>

## I INTRODUCTION

The labour relationship between employees and employers of all types (including legal entities, individual entrepreneurs and natural persons) in Russia is governed by the Constitution, the Labour Code, federal laws and other statutory acts containing norms of labour law. The parties to a labour relationship cannot contract out of requirements imposed by Russian labour law.

The Labour Code is the main codified act that regulates labour relations based on constitutional principles. Additionally, there are federal laws regulating various important aspects of labour relations.

In Russia, cases related to employment issues are presented before a court of general jurisdiction. Generally, the terms and procedures of trials on employment issues are specified in the Civil Procedure Code. The specific terms and procedures of trials on administrative issues are stipulated in the Administrative Procedure Code.

Along with the judicial opportunity to protect labour rights, there are also other options set forth in the Labour Code. An employee may alternatively pursue self-protection of labour rights, protection of labour rights and legitimate interests by labour unions, state authorities' supervision, and control of labour law observance. For instance, the employee may apply to a commission on labour disputes convened on a parity basis by the employer's and employee's representatives and settle a labour dispute out of court, if the dispute is not exclusively subject to the consideration of the court of general jurisdiction.

In different areas of the employment law and employment relations, certain government agencies are competent: general issues related to state supervision and control of labour are the responsibility of the Federal Service for Labour and Employment; migration is monitored and regulated by the General Directorate for Migration of the Ministry of Internal Affairs (on the basis of Presidential Decree of 5 April 2016, the functions of the abolished Federal Migration Service of Russia were transferred to the General Directorate for Migration of the Ministry of Internal Affairs); personal data processing is the responsibility of the Federal Supervision Agency for Communication, Information Technology and Mass Communication; and sanitary and epidemiological control is covered by the Federal Supervision Agency for Customer Protection and Human Welfare. Authorities of the constituent states of Russia, municipal bodies and the Public Prosecutor's Office also oversee the observance of employment law.

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<sup>1</sup> Irina Anyukhina is a partner at ALRUD Law Firm.



## II YEAR IN REVIEW

During 2017, a number of significant amendments to the labour legislation and related areas were introduced. These include the following.

### **i Less stringent rules for microenterprises**

From 1 January 2017, microenterprises (legal entities with an average of fewer than 15 employees and annual earnings of less than 120 million roubles (quite often start-ups)) are not obliged to implement the full set of mandatory HR policies. As long as they maintain the status of microenterprise, they do not have to adopt Internal Labour Regulations (the main workplace policy of an entity), Compensations and Benefits Policy and some other policies required by the law.

### **ii Digitalisation of sick leave certificate**

From 1 July 2017, employees may be given (subject to their consent in writing) a sick leave certificate in digital form, instead of being provided with a hard copy of the document. However, in order to do this, the employer and medical institution have to be registered in a special electronic information system of the Social Insurance Fund of Russia.

### **iii Minimum monthly wage increase**

On 1 July 2017, federal minimum monthly wage increased to 7,800 roubles. A further increase is expected in 2018.

### **iv Training on civil defence**

From 2 May 2017, organisations are obliged to provide employees with Civil Defence Instructions within one month of the date that they were hired. Specifically, the organisation has to plan for and arrange training on this subject as well as inform new employees about the evacuation procedure, potential dangers, etc. Moreover, it is necessary to arrange ongoing training for employees (16 hours per year).

### **v Part-time work arrangements**

From 29 June 2017, part-time work may include both a part-time working day (shift) and working only certain days of the week, including split working days. No such opportunity existed before – employees had to choose between only working certain days of the week or else working for limited hours each day.

Certain categories of employees are entitled to request any mix of part-time working arrangements for as long as they hold the relevant status. For example, this includes pregnant women or women on maternity leave until the child reaches the age of three.

### **vi Open-ended working day restrictions**

From 29 June 2017, an open-ended working day can be established for employees working part-time, only if the employee works for a minimum of eight hours per day.

**vii Clarification on the rules on remuneration of overtime work on weekends and public holidays**

From 29 June 2017, overtime work performed on weekends or public holidays and compensated as work performed on weekends or public holidays by increased payment or by provision of another day of rest shall not be compensated as overtime work.

**III SIGNIFICANT CASES**

The Supreme Court publishes a review of court practice quarterly, and this year the main conclusion of the reviews with regard to an employer was as follows: an individual entrepreneur is not obliged to pay an employee severance pay if he or she has been dismissed because of termination of the entrepreneur's business; and the employee's continuing professional education shall be formalised by concluding an amending agreement to the employment agreement between the employee and the employer.

**IV BASICS OF ENTERING AN EMPLOYMENT RELATIONSHIP**

**i Employment relationship**

A written employment contract setting forth the basic terms of the employment relationship and employment duties must be concluded with every employee working in Russia. The conclusion of the employment contract is the employer's obligation. If the employee actually starts working before the conclusion of a written contract, the employment contract with that employee is deemed concluded and the employee cannot be deprived of the rights provided for by law.

Employment contracts may be executed either for an indefinite period or for a fixed period, but not for more than five years (fixed-term employment contract).

A fixed-term employment contract can only be concluded on the grounds provided by law. These circumstances are divided into two groups: where a fixed term is required and where a fixed term can be decided upon between the parties. In all other cases, the contract should be for an indefinite period.

A fixed-term employment contract is required when the employee is hired, in particular, under the following circumstances: to perform the duties of an employee who is on a leave of absence but who retains his or her job; to perform temporary (up to two months') work or seasonal work; to be sent to work abroad; to perform work that goes beyond the framework of an employer's ordinary activity; to work for organisations that are intentionally formed for a fixed period of time or for the purpose of completing a certain task; to carry out a defined task, the term of whose completion cannot be determined by a specific date; and in some other cases provided by law.

Upon agreement of the parties, a fixed-term employment contract may be executed under, *inter alia*, the following circumstances: with persons hired by small businesses (including individual entrepreneurs) having up to 35 employees, or 20 employees in case of businesses (individual entrepreneurs) operating in retail or consumer service sectors; with pensioners (who obtain this status because of their retirement age); with persons who are only allowed to perform temporary work, pursuant to a properly issued medical certificate; for the purpose of carrying out emergency work aimed at preventing catastrophes, disasters, accidents, epidemics, epizootics and for the elimination of the aftermath of these and other

emergencies; with creative employees of the mass media, cinematographic organisations, theatres, theatrical and concert organisations and circuses, etc.; with the heads, deputy heads and chief accountants of organisations; and in some other cases provided by law.

In all other cases, an employment contract should be for an indefinite period. An employment contract concluded for a fixed term in the absence of sufficient reasons, as established by the court, is deemed to be concluded for an indefinite period of time. Moreover, in cases where several fixed-term employment contracts have been executed to perform the same type of work, the court may decide, taking into account the details of the case, that the employment contracts last for an indefinite period.

The employment contract should contain information on the parties, place and date of conclusion. It must specify the place of work, its commencement date, the position of the employee according to the staff schedule of the company, the rights and duties of the parties, remuneration, conditions of the working place (these are mandatory provisions of the contract) and other provisions. It is forbidden to stipulate directly or indirectly any limitations or privileges depending on the age, nationality, religion, sex or political views of an employee.

It is the employer's obligation to conclude the employment contract with the employee in writing no later than within three working days from the day the employee was actually admitted to work.

Substantial provisions of an employment contract can only be modified at the mutual consent of the parties thereto, for instance, by addenda or attachments to the employment contract. In the event of changes to the organisational or technological conditions in the company, the employment contract can be amended without the consent of the employee provided that his or her function will not be changed. Such changes are subject to two months' prior notice.

## **ii Probationary periods**

An employer has the right to establish a three-month probation for a newly hired employee. As an exception to this rule, an employer may establish a six-month probation for employees hired for certain top executive positions (e.g., head of a company, chief accountant and their deputies or the head of a branch or representative office of an enterprise).

There are some categories of employees for whom the probation period should not be stated at all, such as pregnant women or women with children under one-and-a-half years old, or employees that are starting a job within one year of graduation from an educational institution.

The probation period should be specifically provided for by the employment contract. In the absence of such provision in the employment contract, no probation period is considered to be established for the employee. During the probation period, if the employer determines that the employee does not meet the criteria established for the job position for which he or she was hired, an employee can be dismissed by the employer without a severance payment by giving three days' written notice specifying the reasons for dismissal. An employee is entitled to resign during the probation period without any reason with three days' written notice to the employer.

### iii Establishing a presence

Generally, a foreign company can hire employees without being officially registered to carry on business in Russia; however, if it employs (or intends to employ) an individual to work in Russia for more than 30 calendar days (continuously or cumulatively) in a year, it is obliged to obtain Russian tax registration.

A foreign company is not prohibited from hiring employees through a specialised agency or another third party, for example under an outsourcing agreement. Since such employees conclude employment contracts with the specialised agency or another third party, a foreign company has no obligation to pay remuneration to the hired employees or withhold or pay corresponding taxes.

Nevertheless, foreign companies should bear in mind certain new regulations with regard to agency labour (see Section XIV.i).

Under certain conditions, tax registration issues and permanent establishment (PE) risks for a foreign company may arise.

A foreign company may engage an independent contractor under a service agreement (i.e., a civil law contract) without tax registration in Russia. In this situation, under certain conditions these relationships can lead to the creation of a PE of a foreign company in Russia. Pursuant to the Tax Code, a PE is a branch, representation, department, bureau, agency or any other separate subdivision or other place of activity of the company or a 'dependent agent' through which this foreign company regularly conducts commercial activities in Russia.

A dependent agent of the foreign company for tax purposes is a Russian company (or individual or individual entrepreneur) who acts based on an intercompany agreement, exclusively represents this foreign company in Russia and conducts regular business activities (i.e., negotiates and concludes agreements) on behalf of this foreign company.

Therefore, if the activity of a foreign company through an independent contractor creates a PE in Russia, such foreign company may be subject to full taxation in Russia.

Among the statutory payments that are required to be paid to employees are salary, sick leave allowance, annual holiday pay and other additional payments stipulated for certain categories of employees.

Foreign employees are entitled to some of the local benefits provided to Russian employees (e.g., payment for annual holiday).

Some statutory benefits are not subject to personal income tax. Income that is not taxable includes:

- a* state allowances, including maternity leave and unemployment benefits; and
- b* all types of compensation payable in accordance with effective laws within established limits (e.g., reimbursement of harm caused by injury or other damage to health, dismissal of employees, compensation for unused holiday and the expenses involved in the improvement of professional skills of employees).

The employer paying statutory benefits in favour of employees is obliged to declare them and withhold personal income tax at source.

## V RESTRICTIVE COVENANTS

Pursuant to Russian law, non-compete clauses in employment contracts are not enforceable, since one of the main labour principles protected by law is that each employee has freedom of labour, including the right to work, and any person is free to choose his or her profession or type of activity.

Following these principles, the law does not allow a company to restrict an employee from working for another employer (a competitor). If a non-competition clause is included in an employment contract, it cannot be legally applied and will not be enforceable in Russian courts. The only statutory possibility allowing companies to restrict or control work for third parties relates to heads of companies: pursuant to the Labour Code, a general director (CEO) can work for another employer only upon the consent of the authorised body of his or her employer.

Also an employee of a state company or corporation should inform his or her employer of any potential conflicts of interest. Failure to report a conflict of interest could form grounds to dismiss an employee.

## VI WAGES

### i Working time

Employers are required to keep a record of the working hours of every employee, including any overtime. The regular working week is 40 hours, or less for certain categories of employees and working conditions.

An employee may be expressly engaged for night work according to the working conditions or production necessity with obligatory consent of the employee. In this case, the statutory requirements for payment shall be that each hour of work during the night shall be compensated at a higher amount than work during the normal working day. Such rate of pay must be at least 20 per cent greater than the normal hourly payment for a day's work.

### ii Overtime

Any time worked over 40 hours per week is classified as overtime (unless an employee has an open-ended working day regime pursuant to his or her employment contract) and may only be required by employers with the employee's prior written consent. Without the employee's consent, overtime work may be required only in emergency situations (fire, accident, disasters, etc.).

Pursuant to the labour laws, overtime should be compensated as follows:

- a* for the first two hours of overtime, the compensation should be no less than one-and-a-half times the usual hourly rate;
- b* for subsequent hours of overtime, the compensation should be no less than double the usual hourly rate; or
- c* in accordance with an employee's wishes, overtime work may alternatively be compensated by the provision of additional rest periods or time off work. However, this period may not be for less time than the overtime actually worked.

An employee's overtime work cannot exceed four hours within two consecutive days or 120 hours per year.

Overtime work performed on weekends or public holidays and compensated as work performed on weekends or public holidays by increased payment or by provision of another day of rest shall not be compensated as overtime work.

## VII FOREIGN WORKERS

The Labour Code contains Chapter 50.1, which specifies the general conditions and requirements of employment of foreign nationals. The basic requirements are:

- a* the employment contract must be concluded for an indefinite term (except on special grounds);
- b* the employment contract must contain details of the work permit (as well as work patent, residence permit or temporary residence permit) and a voluntary medical insurance policy;
- c* a foreign national must have a voluntary medical insurance policy that covers their whole period of employment in Russia;
- d* a foreign national must confirm his or her knowledge of the Russian language, history of Russia and basics of Russian legislation; and
- e* in case of expiry of a work permit (as well as work patent, residence permit or temporary residence permit, and voluntary medical insurance policy) the employer is obliged to suspend the foreign national employee from work until the employee obtains new documents.

The law does not stipulate a requirement for employers to keep a register of foreign employees. Generally, there is no limit on the number of foreign employees that may be engaged by Russian-registered corporations, except some economical areas that are specified by the government every year. Representative offices of foreign commercial organisations that are incorporated in one of the World Trade Organization Member States may initially hire up to five foreign employees. Despite the general rule, the company may not be allowed to hire as many foreign employees as it wishes – in the year preceding the prospective employment of foreign workers, the company needs to apply for a quota. The company submits a special form, indicating how many employees it expects to employ in the next year, their professions, job titles and countries of origin. Filling in and submitting the form does not guarantee that the company will be allowed to hire foreign employees or employees from certain professions or with certain qualifications. The decision is made by state bodies based on the current economic situation and the company's legal record (i.e., any violation of law by the company may negatively affect the decision). The quota requirement only applies to the less highly qualified foreign nationals coming into Russia with a visa.

The Ministry of Labour and Social Protection of Russia is entitled to adopt a list of those professions, positions and qualifications that are given a quota exemption in a given year. However, these professions, positions and qualifications may vary from year to year or may not be adopted at all.

The simplified procedure for obtaining a work permit has been adopted for employees from France, South Korea and Mongolia. Currently, employers do not have to obtain a decision from the State Employment Centre regarding permission to engage and use foreign workers with respect to such categories of employees.

Companies, as well as representative offices of foreign companies, may also engage foreign nationals as highly qualified specialists. The main condition for engaging a foreign

worker as a highly qualified specialist is that he or she has experience, skills and achievements in the sphere in which he or she is to be employed and that the company will pay him or her more than 167,000 roubles per month. Salary requirements differ depending on the types of highly qualified specialist, for example for teachers and scientists invited by state-accredited institutions, for foreign nationals engaged in Project Skolkovo (Russia's technical innovation project), etc. For these specialists, quotas for obtaining work permits are not applicable. Employers also do not have to obtain a decision from the State Employment Centre and permission to engage and use foreign workers in order to legally hire a highly qualified specialist.

The period of employment of a foreign national in Russia is limited by the duration of his or her work permit. Generally, the work permit is issued for up to one year and the work permit for highly qualified specialists can be issued for up to three years. If the employee continues working when his or her work permit expires, both the company and the foreign employee will be subject to administrative fines (which are quite considerable for the company).

Foreign nationals who will work in Russia, rather than travel to Russia on business, need to have work permits and should be staying under a work visa (except in the case of visa-free entry).

Remuneration received by a foreign employee from a source in Russia is generally subject to Russian personal income tax. It may also be subject to social insurance contributions. The employer should also provide the highly qualified specialist and his or her accompanying family members with medical insurance.

A company paying remuneration to a foreign employee is deemed a tax agent and, therefore, must withhold personal income tax from the remuneration payable to employees and remit it to the tax authorities. If the personal income tax was not withheld by a tax agent, the employee should file a tax return and pay the tax independently.

The personal income tax rate is 13 per cent for Russian tax residents (individuals staying in Russia for more than 183 days in 12 consecutive months and more than 183 days in the calendar year in whole) and 30 per cent for non-Russian tax residents (individuals staying in Russia for less than 183 days in 12 consecutive months).

For those foreign employees who have the status of highly qualified specialists (see above), the personal income tax rate is 13 per cent, irrespective of their tax residency status.

Employers (both Russian companies and Russian subdivisions of foreign companies) shall pay social insurance contributions with respect to those foreign employees who have a long-term or temporary residence permit in Russia. Employers are obliged to remit contributions to the Pension Fund of Russia from compensation paid to foreign citizens temporarily resident in Russia.

There is also obligatory accident insurance in Russia. All individuals (including foreign nationals) working under employment agreements are subject to this insurance irrespective of their immigration status. The insurance covers cases of temporary or permanent injury to the health of employees (including death) that occurs within the course of performing employment duties (as a result of a professional illness or work-related accident).

The applicable rate of obligatory accident insurance depends on the degree of professional risk that an employer's activity entails and may vary from 0.2 per cent to 8.5 per cent. The base for calculating obligatory accident contributions is generally the same as the base for calculating social insurance contributions.

Foreign employees have the same rights and obligations as Russian employees and are granted the same level of protection under the Russian law.

## **VIII GLOBAL POLICIES**

The main disciplinary principles are contained in the Labour Code. Internal disciplinary rules can be adopted by the employer in the form of by-laws and regulations on discipline. As a general rule, however, such rules are incorporated into the rules of the internal labour regulations of the company.

The internal labour regulations are a local standard governing the hiring and dismissal of employees and the basic rights, obligations and accountability of the parties to a labour contract, the work regime, the rest periods, incentives and punitive measures applied toward employees and other regulations concerning labour relations, including the disciplinary rules.

The internal labour regulations do not need to be filed with or approved by government authorities.

The Labour Code establishes some mandatory rules prohibiting discrimination on various grounds. Everyone shall have equal opportunities to implement their labour rights under the labour laws.

Nobody may be subject to restrictions in labour rights and liberties or gain any advantages based upon sex, race, skin colour, nationality, language, ethnic origin, property, family, social status and occupational position, age, place of residence, attitude to religion, political views, affiliation or failure to affiliate with public associations, or any other circumstances not pertaining to the employee's ability to perform his or her work.

Sanctions for sexual harassment are regulated by the Criminal Code.

The internal labour regulations of the company have to be executed in Russian, as Russian is the official language and must be used by all companies regardless of their ownership structure for their employment contracts, by-laws and records management.

When the employee is hired (before a labour contract is signed) he or she should be provided with the internal labour regulations and other internal regulations relating to his or her work as a hard copy that he or she must sign. If the internal labour regulations are altered the employee shall be provided with a revised copy.

The rules of the internal labour regulations shall be approved by an employer, taking into account the opinion of the representative body of the organisation's employees, if there is one in the company.

Generally, if there is a collective contract in the company, the rules of the internal labour regulations shall be supplementary to it.

The internal labour regulations shall be freely accessible. They can be located on the company's intranet, but in any case the company must have them as a hard copy.

The disciplinary rules can be incorporated into the employment contract by reference to them.

## **IX TRANSLATION**

Russian is the official language of Russia and must be used by all companies – regardless of their ownership structure – for all HR documentation (including employment contracts) and records management. There are no formalities such as notarial certification of translation or use of certified translator.



In the republics and other constituent territories of Russia, employment contracts can be executed in two languages: Russian and the language of the republic, or any other language used by the population of the subject. The exact rules and obligations on the use of languages are established by the relevant Russian legislation.

As for foreign employees who know neither Russian nor the language of the constituent territory of Russia, Russian legislation contains no general requirement that the employment contract be presented in a language familiar to the individual.

However, in practice, an employment contract with a foreign employee is usually signed both in Russian and in the language in which the foreign employee is fluent, to guarantee that he or she has a clear understanding of rights and responsibilities under the agreement.

If the employment documents are not translated into language familiar to the employee, the foreign employee could challenge the implication of any disciplinary sanctions upon him or her for breach of the obligations stipulated in the document on the grounds that he or she did not understand the contents of the document.

## **X EMPLOYEE REPRESENTATION**

The employees are permitted to form representative bodies to protect their rights. As such, there are no works councils as a form of representation in Russia. Under the Labour Code, the representatives of employees shall be trade unions and other representatives. Russian law, however, does not define the 'other representatives' and the rules governing their activity. Therefore, all information regarding employee representation in this section concerns trade unions.

Once created at the company level, a trade union represents all workers engaged by the specific employer who have become members of the trade union, or who have authorised the trade union to represent their interests.

The trade unions shall have the right to exert trade union control over the employers and the official persons observing the legislation on labour, including on the issues of the labour agreement (contract), working hours and rest periods, remuneration for labour, guarantees and compensations, privileges and advantages, and other social and labour issues in the organisations, in which the members of the given trade union work. They shall also have the right to demand that the disclosed violations are eliminated. Employers and official persons shall be obliged, within a week of receiving a request to eliminate the exposed violations, to inform the trade union about the results of its consideration and about the measures effected.

For the trade unions to exert their control over the observation of the legislation on labour, the trade unions shall have the right to set up their own labour inspection service, which shall be vested with the powers stipulated by the legislative provisions and approved by the trade unions.

If the employees of a given employer are not united in any primary trade union organisation, or if fewer than half of the employees of the given employer are members of the existing primary trade union organisation or if no existing trade union has the power to represent the interests of all the employees in a social partnership at the local level, then another representative (or representative body) may be elected by secret ballot from the ranks of the employees at a general meeting (conference) of the employees for the purpose of exercising said powers.

The existence of this other representative shall not be deemed an obstacle to the primary trade union organisations exercising their powers.

Trade union organisations shall represent the interests of employees in collective negotiations, the conclusion or alteration of a collective contract, control over execution thereof, and in the implementation of the right to participate in the management of an organisation, consideration of labour disputes of employees with an employer.

The trade unions shall independently formulate and approve their rules. Such rules should define the length of a representative's term, how frequently representatives must meet, terms and procedures for setting up the trade union, the rules for joining the trade union's membership and leaving it, the rights and the duties of the trade union members, the authority of the trade union bodies and the term of their powers. Trade unions also determine provisions related to the structure of the union and shall hold meetings, conferences, congresses and other events.

The employer shall give the trade unions functioning in its organisation the equipment, premises and means of transportation and communication necessary for their activity in conformity with the collective agreement or with the agreement.

## **XI DATA PROTECTION**

### **i Requirements for registration**

As a general rule, before processing personal data, an operator is obliged to notify the Federal Service for Supervision in the Sphere of Communication, Information Technologies and Mass Communications of its intention to process personal data. The notification should contain information required by the respective laws in Russia.

The 'operator' is defined as a legal entity, individual, state authority or municipal authority that individually or collectively organises or carries out the processing of personal data, and determines the purpose and content of processing that personal data or the operations to be performed with that data.

Employers have the right to process the personal data of their employees without notifying the above-mentioned authorised state body. However, if the purposes of personal data processing fall beyond the scope of labour law and employment relations, the employer is obliged to notify authorised state authorities of its intention to carry out the processing of employees' personal data.

According to the general rule, obtaining consent for the processing of employee personal data is required. If personal data may only be obtained from the third party, then the employer is obliged to notify the employee in advance and obtain his or her written consent. The employer shall inform the employee of the purposes, probable sources and methods of obtaining the personal data, as well as of the nature of the personal data to be obtained and the consequences of an employee's refusal to provide written consent for the use of the data.

The general rule is that a subject of personal data shall make a decision to supply his or her personal data and give his or her consent to the data being processed of his or her own free will and in his or her own interest. As mentioned above, the employer is entitled to request personal data that is necessary for performance of the labour agreement with the employee. The consent of the employee will be required if the employer intends to transfer the personal data of its employee to third parties. Consent may be withdrawn by the personal data subject at any time.

To ensure the rights and liberties of the employee, the employer and his or her representatives must permit only specially authorised persons to access employee personal data. Moreover, the mentioned persons shall be permitted to obtain only the employee

personal data, which is necessary to fulfil particular functions. Employers shall adopt an internal policy covering the procedure of processing the personal data of employees. Such a policy shall be adopted in Russian (or in a bilingual form) by the order of the CEO of the legal entity (or other authorised person) and all employees shall acknowledge familiarisation with their signatures.

The company is obliged to take the required organisational and technical measures, in processing the personal data, including using ciphering facilities (where applicable), to protect personal data against any illegal or accidental access, destruction, alteration, blocking, copying and dissemination and other illegal actions.

The Federal Law dated 21 July 2014 introducing amendments to the Federal Law on Personal Data sets out the obligation on operators of personal data to ensure that certain types of processing of personal data belonging to Russian nationals is carried out with the use of databases located in the territory of Russia at the moment of collection of personal data of Russian nationals, including collection via the internet. This localisation requirement entered into force on 1 September 2015.

The localisation requirement does not imply all possible types of processing in Russia. Only the following types of processing must be performed with the use of databases located in Russia: collection, recording, systematisation, accumulation, storage, adaptation or alteration, retrieval and extraction (the 'target types of processing').

The localisation requirement does not prevent companies from transferring data abroad. However, in the context of localisation requirements, some peculiarities shall be taken into account. Namely, personal data shall be initially placed in 'primary database', which shall be located and maintained (to the extent that maintenance involves the target types of processing) in Russia. Personal data contained in a primary database may be transferred abroad and be placed in other databases ('secondary databases') if the rules on cross-border data transfer are complied with.

In addition to the above, on 1 September 2015 a new enforcement mechanism in the sphere of personal data came into effect. It implies inclusion of information resources (domain names, references to web pages on the internet, website addresses), where the data is processed in violation of rights of personal data subjects, into the special registry of violators of data subject rights (the Registry). Under this mechanism, the Federal Service for Supervision in the Sphere of Communication, Information Technologies and Mass Communications is granted the power to restrict access to such information resources for users from Russia. The Federal Service for Supervision in the Sphere of Communication, Information Technologies and Mass Communications can apply such restrictions on the grounds of a court's decision.

## **ii Cross-border data transfers**

Russian law does not require registration for the purposes of the cross-border transfer of personal data.

The general rule is that for the cross-border transfer of personal data, the employer should ensure that the receiving states are parties to the Council of Europe Convention for the Protection of Individuals with regard to Automatic Processing of Personal Data or are deemed by the Federal Service for Supervision in the Sphere of Communication, Information Technologies and Mass Communications as states providing adequate protection of the rights of the subjects of the personal data despite their non-membership to the said Convention (such states are listed in the respective order issued by the Federal Service for Supervision in the Sphere of Communication, Information Technologies and Mass Communications). If

the employer performs a cross-border transfer of personal data to states that do not ensure an adequate protection of the rights of the subject of the personal data, the Russian company must obtain written consent from the subject of the personal data (i.e., the employee).

Taking into account that employers are obliged to gain the consent of their employees when intending to transfer their personal data to third parties (regardless of the location of the receiving third party) and to avoid any possible claims from the employees regarding the processing of personal data by the company without consent, it is recommended in all cases of cross-border transfer that the employer obtains the written consent of the subject of the personal data, stating the scope of the personal data to be transferred cross-border, the purpose of the processing and the recipients of personal data.

The employers should require the recipients of personal data to treat such data as confidential information. If the transfer is made on the ground of an agreement, the agreement should provide for an obligation of the recipient to treat the personal data as confidential.

Additional transfers of the personal data are allowed if the employee's consent covers such transfers.

### **iii Sensitive data**

Information relating to an employee concerning race or ethnic origin, political views, religious or philosophical convictions, state of health or private life is considered as sensitive data.

As a general rule, the employer may not request and process sensitive data. In cases directly associated with the issues of labour relations, the employer may obtain and process information on the private life of the employee only with his or her personal consent.

For a cross-border transfer of sensitive data the Russian company must obtain the written consent of the employee.

### **iv Background checks**

Russian law limits the amount and type of data that can be obtained on a candidate or an employee.

The main principle is that the volume and character of personal data to be obtained on a candidate should be justified by a lawful reason. The Labour Code gives a full list of such reasons:

- a* to observe laws and regulations, for example if a certain check is prescribed by law the employer can demand this information, or if a certain job is prohibited to a specific category (e.g., employees under 18), the employer can also request personal data;
- b* to assist in employment, training, and promotion (this may imply any information that this reasonably and lawfully requires to efficiently hire, train and promote);
- c* to ensure the personal safety of employees (this might seem to allow a rather broad interpretation, however, the general principle of non-excessiveness is to be observed);
- d* to control performance (quality and volume of work done); and
- e* to ensure the safety of assets (the general principle of non-excessiveness is to be observed).

As mentioned above, Russian law gives a full list of documents the candidate must present, and prohibits the employer from requiring extra certifications. Thus, bank statements, credit repayment records, etc., cannot be demanded from the candidate. Moreover, even if the candidate voluntarily agrees to provide them, such requests can be interpreted as an invasion

of privacy and discrimination on grounds of property. Additional documents can be required only if this is explicitly provided for in the legislation (e.g., public servants should present information on their income, property and material liabilities).

Criminal record checks may be required for certain jobs. For example, applicants for teaching positions may be subject to such checks since educational work is prohibited to those with a criminal record. In other instances, inquiring about an applicant's criminal background can be considered excessive. However, there is no relevant court practice so far.

There is a statutory minimum of information an employer is entitled to learn about a potential employee. Demanding further information or documents is illegal, and requesting them might be risky, as it may imply that the candidate was not hired for a protected reason or that an invasion of privacy took place.

An employer should also avoid receiving any information about, for instance, an applicant or employee's political, religious or other views or membership of social organisations.

Obtaining information about an applicant or employee's private life is permitted only to the extent it is relevant to the job. For example, obtaining information about dependants is relevant to determining whether an applicant or employee is entitled to certain guarantees.

## **XII DISCONTINUING EMPLOYMENT**

### **i Dismissal**

Pursuant to the law, employment may be terminated only on the grounds provided for by the laws. The Labour Code stipulates the list of principal grounds for termination of employment, but it is not exhaustive; it can be extended by grounds stipulated in other federal laws.

As a general rule, the company does not have to notify the state bodies of a dismissal. Among the exceptions are dismissals owing to a company being wound up and redundancies (see below). If the company is dismissing a foreign employee, it has to notify the General Directorate for Migration of the Ministry of Internal Affairs within three days after termination of the employment agreement.

Notification of the elected body of the trade union is to take place in case the employer initiates dismissal of a trade union member for the reasons of staff reduction, insufficient qualification of the employee or numerous failures of the employee to fulfil his or her labour duties provided he or she has had a disciplinary punishment. The opinion of the trade union is not binding for the employer. The employer could dismiss the employee who is a member of the trade union elected body for the reasons of staff reduction or insufficient qualification of the employee, provided the elected body of the higher level trade union gives its consent.

The dismissal can take place within one month after the trade union provides its reasoned opinion.

If the employer decides on a staff reduction, it should submit a written notification to the elected body of the trade union organisation no later than two months before the planned action, and in three months if such staff reduction may lead to collective dismissal.

It is not common practice for employers to provide a social plan containing measures that are additional to those required by law or contained in industry or territorial agreements. However, measures aimed at reducing the number of employees subject to collective redundancy or providing re-employment may be contained in the company's collective bargaining agreement and may be implemented by the employer.

Offers of suitable alternative employment have to be made in the event of redundancy.

There are various notice periods for different types of dismissals. A notice of dismissal must be made in writing. Furthermore, it should be signed by the employee, proving that he or she received that notice. A notice period does not depend on the length of employment.

An employee who is not coping during the probation period can be dismissed by giving three days' notice.

A fixed-term contract is terminated upon expiration of its term. An employer has to notify an employee of the contract's termination three days beforehand.

In the case of redundancy or reduction of personnel, an employer has to notify employees two months before dismissal. Seasonal workers are to be given seven days' notice in such circumstances and three days' notice applies for temporary employees (working under an employment contract with the term of up to two months).

In all other cases of dismissal, the notification period is not defined in the law.

If a company is being wound up or there is a reduction of staff the employer can, with the written consent of the employee, terminate the employment contract before expiry of the two months' notice period provided it pays additional compensation to the employee in the amount of the employee's average earnings calculated *pro rata* to the time remaining until the expiry of the notice period.

The general principle is that protection is granted to all employees. Special protection against dismissal at the initiative of the employer applies, *inter alia*, to the following groups of employees:

- a* pregnant employees (can be dismissed at the employer's initiative only if a company is being wound up; a fixed-term labour contract should be prolonged until the end of the pregnancy);
- b* employees under 18 (can be dismissed at the employer's initiative only upon consent of the appropriate state labour inspectorate and commission for juvenile affairs and protection of their rights (unless the company is wound up)); or
- c* employees with two or more dependants.

A severance payment shall be paid to employees in the case of termination of employment owing to the company being wound up, as well as in case of redundancy (as described below); and severance pay equal to two weeks' average wages is made to an employee in the following cases of dismissal:

- a* the employee's refusal to be transferred to another job as might be required according to his or her medical certificate<sup>2</sup> prohibiting him or her from remaining in the current job, or if the employer does not have an appropriate job;
- b* the employee being called to military service (or alternative civil service);
- c* the reinstatement of an employee who previously occupied that position;
- d* the employee's refusal to be transferred to a job in another location;
- e* the employee is recognised as being fully incapable of working in accordance with a properly issued medical certificate; or
- f* the employee refuses to continue working following a change in employment contract terms.

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2 A medical certificate must be issued according to the procedure established by federal laws and other normative legal acts of Russia.

An employment contract or a collective contract may stipulate other cases of severance pay, as well as the amount of severance pay to be paid.

If the employment is terminated at the mutual agreement of the parties, then a respective agreement specifying the terms of such termination shall be concluded.

## ii Redundancies

If the company decides to apply the redundancy procedure it should first of all select the employees that can be subject to redundancy, considering the protected categories.

Each employee must be individually notified in writing at least two months before the dismissal, and each employee should confirm notification in writing. Seasonal workers will be given seven days' notice in such circumstances and temporary employees (i.e., those with an employment contract of up to two months) are entitled to three days' notice.

The company further offers the employees all suitable vacancies the company has (including those requiring fewer qualifications or with a lower salary).

Each offer should be made in writing and the employee's refusal or consent should also be in writing. If there are no vacancies in the company, the employee should be served the appropriate notices and confirm the receipt thereof.

Under Russian legislation there is no difference between collective dismissal or reduction in the workforce. Mass lay-offs are not directly regulated. However, provisions in the Russian labour legislation related to 'downtime' indirectly regulate lay-offs.

Under these provisions, in case of temporary suspension of work owing to economic, technological, technical or organisational causes, an employee may be transferred without his or her consent for up to one month to a job with the same employer that is not stipulated by the employment contract.

In this case, transfer to a job that requires fewer qualifications is permitted only with the employee's written consent. If transferred, the employee is paid for the work he or she performs and at a rate not below the average earnings in his or her previous job.

A period of downtime owing to an employer's fault shall be remunerated in the amount of not less than two-thirds of the employee's average salary. A period of downtime owing to reasons dependent neither on the employer nor on the employee shall be remunerated by no less than two-thirds of the tariff scale and salary, which are calculated *pro rata* for the duration of the downtime.

In case of collective dismissal<sup>3</sup> the employer must provide notifications to the State Employment Agency of certain information in the following two stages.

In the first stage (three months before the dismissals):

- a details of the employer and employees;
- b a list of all the organisation's employees at the date of the notice;
- c the reasons for the collective redundancy;
- d the number of employees to be made redundant;
- e the commencement date of the collective redundancy;
- f the final date of the collective redundancy; and
- g information about the employees to be made redundant (the profession, number of persons, date of dismissal).

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3 Dismissal may be considered to be collective depending on the number of employees that are planned to be dismissed by the company. The exact thresholds for collective dismissal are provided in agreements relevant to a specific industry sector or territory.

In the second stage (two months before the dismissals), the employer must again provide details concerning itself and also information about each employee to be made redundant (full name, education, profession, qualifications and average salary).

The following categories of employees cannot be made redundant:

- a* pregnant women;
- b* women with children under three years old;
- c* single mothers with children under 14 years old (or disabled children under 18 years old);
- d* individuals bringing up a child under 14 years old (or a disabled child under 18 years old) without a mother; and
- e* a parent who is a sole breadwinner of a child under three years old in a large family bringing up minors where another parent is not employed and takes care of their children.

Among other employees, protection should first be given to employees with higher qualifications and labour productivity. To evaluate the labour productivity a performance review can be used; however, there is no statutory procedure on how this performance is evaluated.

Among employees with equal qualifications and productivity, the following categories should be given preference:

- a* employees with dependent family members;
- b* employees who have suffered from workplace injury or work-related disease while working for the company;
- c* employees doing professional training at the employer's instruction; and
- d* disabled veterans.

Protection may be given to additional categories by regional or industrial agreements, collective bargaining agreements, company policies, employment contracts, etc.

Actual termination of the employment contract cannot take place while the employee is on holiday or on sick leave (unless in cases of termination of employment owing to the winding-up of a company).

If the employment is terminated because of a company winding up, as well as in the case of redundancy, a dismissed employee is to be paid severance pay equal to his or her average monthly wage. Further, an employee is entitled to payment of average monthly wages while searching for a new job. These payments are limited to a two-month period upon termination of employment (including the severance pay). If the employee obtains the agreement of the State Employment Service, he or she may be entitled to severance for the third month as well, provided he or she registered in employment service within two weeks from the date of dismissal.

If the employment is terminated on the ground of mutual agreement of the parties, then an agreement specifying the terms of such termination shall be concluded.

### **XIII TRANSFER OF BUSINESS**

In the case of a sale of shares of the employing company to another owner, the employment contracts are not subject to termination since the employing company remains the same.



Thus, any changes in the terms and conditions of employment can be made only in accordance with the general procedures prescribed by the Labour Code. The Labour Code provides that the employer should notify the employee of any change to material terms and conditions of employment at least two months before such a change. The change to material terms and conditions can take place only in the case of a change in organisational or technological conditions of employment and only with prior written notice to the employee.

According to Russian law, a change of the owner of property (assets) of an organisation is not a ground for termination of employment contracts with employees except for its general director, deputies of the general director and chief accountant. The Supreme Court of Russia has clarified that this applies to cases of sale of all property (assets) of an organisation. It also commented that this rule applies, for example, to the privatisation of state-owned companies, enterprises or assets of state-owned companies or enterprises. This rule may also apply to the sale of an enterprise as a property complex (which is considered and registered as a real estate object).

The new owner has the right to dismiss the general director, deputies of the general director and chief accountant within three months after it has obtained the ownership title to the property (assets). In this situation, these employees, if dismissed, are entitled to compensation in the amount of no less than three months' salary.

Reorganisation (merger, accession, division, split-off or transformation) of the company is also not a ground to terminate employment with a company and thus the transfer of employment agreements will be required.

An employee may refuse to continue work in connection with the change of the owner of the assets of an organisation or in connection with the reorganisation of the company.

In the case of such refusal the employment will be terminated, respectively, owing to a refusal to continue work in connection with the change of the owner of assets or owing to a refusal to continue work in connection with the reorganisation (merger, accession, division, split-off or transformation) of the company.

## XIV OUTLOOK

As a result of the 2018 FIFA World Cup being held in Russia, all foreign citizens who travel to Volgograd, Ekaterinburg, Kazan, Kaliningrad, Moscow, Nizhny Novgorod, Samara, St Petersburg, Saransk and Sochi during the period from 25 May 2018 to 25 July 2018, will be obliged to register for migration within one day of the date of crossing the Russian border.

All foreign citizens who arrive for temporary stay are under this requirement, including:

- a* highly qualified specialists (and their family members);
- b* citizens of the Eurasian Economic Union member countries; and
- c* foreign citizens, engaging in labour activities on the basis of a work permit or patent.

Foreign citizens can only register for migration in the territorial units of the Ministry of Internal Affairs. Arrival notices sent by post or by contacting a multifunctional centre (i.e., an organisation authorised to provide state and municipal services for individuals and legal entities, such as issuing passports and registering migration) are not permitted.

Moreover, Russian citizens that visit the above-mentioned cities from 25 May 2018 to 25 July 2018 are obliged to register their place of residence within three days of the date of arriving.

# ABOUT THE AUTHORS

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Irina Anyukhina is a partner at ALRUD Law Firm and heads the labour and employment practice. Irina is a recommended expert on labour law, advising international and Russian companies on international and cross-border workplace issues, reductions and restructurings, senior executives and expatriate issues. Irina operates at the interface of employment and corporate law in cases involving mergers and acquisitions, implementation of incentive programmes, executive compensation and benefits, global and local employment policies, outsourcing, and employee privacy issues. She is often involved in cross-border and internal investigations of employees' misconduct.

Irina joined ALRUD in 2002 and became partner in 2007. Clients praise her business-oriented approach, outstanding communication skills, thoughtfulness and ability to clearly enunciate the core of the matter.

Irina graduated from the Moscow State University of International Relations with the Ministry of International Affairs of Russia, in the public international law division of the international law department. She is fluent in English.

Irina coordinates cooperation with Ius Laboris, the largest international alliance of labour law professionals. She regularly speaks at international conferences, and is a member of the International Bar Association and American Bar Association.

Irina has been highly recommended for her labour and employment practice by *Chambers Europe* 2017 and *The Legal 500. Best Lawyers* 2017 recommends Irina for labour and employment law and informational technology law.

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