



EMPLOYMENT LAW OUTLOOK 2015

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Russia Employment Law Outlook 2015

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Russia continues to amend laws regulating employment arrangements in an effort to modernize and improve them. Recent and anticipated developments are summarized below.

New Law on Secondment

A long-discussed act to regulate secondment (temporary transfer) arrangements and private employment agencies was signed into law in May 2014 (the "Secondment Law") and introduces amendments relating to secondment to the Law on Employment of the Population, the Labor Code, the Tax Code and related laws. The new rules on secondment will take effect on Jan. 1, 2016.

While secondment arrangements are recognized for tax reporting and payment purposes, current Russian employment and civil law does not expressly regulate the arrangements, which has created uncertainty about how international secondments to Russia should be treated. To resolve this ambiguity, the Secondment Law introduces specific terms and definitions concerning the arrangements, outlines and regulates instances where secondment is and is not permitted and identifies the permissible parties to such arrangements.

Permitted secondment. Under the Secondment Law, "legal entities (including foreign legal entities) and their affiliates" may second (temporarily transfer) their employees to other legal entities if such entities are connected either by affiliation criteria or by virtue of a shareholders' agreement. The permission to second employees between affiliated entities would in practice allow Russian and foreign parent companies to send employees to Russian subsidiaries in which they hold more than 20 percent of the charter capital.

The general terms of and procedures for such permitted secondment arrangements will be set out in a separate law, a draft of which has been prepared but not yet discussed in the Russian parliament.

Private agencies. The Secondment Law imposes restrictions on private employment agencies and secondment through them, establishes an accreditation requirement for such agencies and sets out certain standards of conduct.

Employer reaction. The Secondment Law has received a mixed reaction from the Russian business community, many members of which are concerned about how the law will actually be implemented. Employers that currently use secondment arrangements in Russia should monitor further developments closely during 2015 to identify any changes that need to be made in their current secondment practices

Foreign Employees

Russia has adopted certain changes to the laws regulating employment of foreign nationals.

Examinations. Under amendments to the Federal Law on the Legal Status of Foreign Citizens in the Russian Federation effective Jan. 1, 2015, foreign nationals must demonstrate through examination both Russian language proficiency and a knowledge of Russian history and fundamental legislative principles to qualify for a work permit, any other permit to work in Russia or a temporary residence permit. Certain categories of foreign employees, such as “highly qualified specialists,” are exempt from this requirement, which for other workers will further complicate the already complex process of obtaining a work permit in Russia.

Amendments to the Labor Code. Historically, the Russian Labor Code has applied to all employees working in Russia, regardless of citizenship. Shortly before the end of 2014, however, a new chapter (50.1) was added to the code establishing certain specific procedures for the employment of foreign nationals or stateless persons, including additional documentary requirements for the employment of foreign nationals and additional grounds for termination of their employment.

Greater Employer Liability for Labor Law Violations

Russia continues to strengthen the penalties employers may face for violations of labor laws, and fines for noncompliance have been increased significantly.

Failure to perform workplace conditions assessments. In addition to the adoption of the country's new law on workplace conditions assessments, which came into effect on Jan. 1, 2014, amendments have been introduced to the Code of Administrative Offenses, setting forth, among other things, specific administrative liability for the failure of an employer to perform workplace conditions assessments. These amendments became effective on Jan. 1, 2015.

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