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“Prokhorov Slammed by United Russia”, 20.04.2010.

Billionaire Mikhail Prokhorov has come under fire from United Russia after proposing a reform of the country's labor legislation, a change legislators said would be a threat to the country's modernization.

Prokhorov, who heads the labor committee of the Russian Union of Industrialists and Entrepreneurs, said last week that existing labor legislation holds back innovation and called for new rules that would make it easier to dismiss employees and require longer working hours.

Russian labor legislation provides for an eight-hour workday and limits total overtime to 120 hours per year. The law also prohibits employers from dismissing an employee at will, requiring employers first to provide sufficient grounds.

State Duma Deputy Andrei Isayev, United Russia member and head of the Labor and Social Policy Committee, lashed out at the proposals Thursday, calling them immoral and accusing Prokhorov of advocating a return to feudalism.

"What Prokhorov is proposing already existed in the 19th century," he said at a party meeting Saturday. "Enforced exploitation of workers never caused a growth in production productivity. Therefore such initiatives have no relation to modernization."

State Duma Deputy Igor Igoshin, another United Russia party member, said big business was seeking a pretext to avoid innovation.

"One must ask what kind of goal is being pursued by people who voice such an initiative," Igoshin said. "One possibility is the attempt by a certain circle of oligarchs to find an excuse for why there is no development of production, no economic growth and why their personal interests are separate from those of the state."

He added that businessmen should be forced to "invest in the modernization of their production lines or return their business [to the state]."

A spokesman for Prokhorov's Onexim Group declined to comment.

But there is reason to believe that in addition to causing problems for businessmen, Russia's tough labor legislation reduces the availability of jobs on the market, said Vladimir Gimpelson, director of the Center for Labor Research.

"The more rigid the legislation protecting employees, the fewer new jobs appear," he said. "Young workers are especially affected by this. They can't find new jobs because the positions are occupied by somebody who can't be fired."

Gimpelson added that the country needs a public discussion of its labor laws, not a cheap exchange of populist statements.

Firing people in Russia has never been a problem, and it is often done outside of a legal framework, said Luc Jones, a partner at recruitment company Antal.

"Employers can use a number of tricks that aren't governed by labor legislation," he said. "An employer can make an employee leave by moving him or her to a useless position or by threatening to write something unpleasant in their service record."

He said the main disagreement between businessmen like Prokhorov and the pro-Kremlin legislators lies in the fact that they come from very different backgrounds.

"It is a global problem, not only a Russian one, that socialist-leaning politicians have never worked in business," he said. "Prokhorov made a lot of money and is very successful, but most politicians don't realize how difficult it is to start a legal business. They just never tried it, so they label every initiative they don't understand as 'capitalist' or whatever."

Allowing people to work extra hours is the key to increasing productivity, said Oleg Moskvitin, lawyer at Muranov, Chernyakov & Partners. Current rules limiting overtime to 120 hours per year, or approximately 2.5 hours per week, are outdated.

"Working overtime has become a norm and necessity for business," he said. "Many employees are driven by career considerations, by a desire to earn more and are ready to work more than allowed by the Labor Code. The law should not prevent employers and employees from legally agreeing on extra work."

The law must, however, guarantee that the overtime is voluntary and the employee is appropriately compensated for it, he added.

But changes to the rules just put off a bigger problem with Russian legislation, which is a low level of compliance.

"Everyday life shows that the norms of the Labor Code are often ignored by many employers who find the ways to avoid them," said Alexander Nadmitov, a partner at Nadmitov and Partners law firm. "In the absence of strong independent labor unions and low labor mobility, it is better to increase liability for infringement of labor law provisions to make employers to abide by the legislation" he said.

Prokhorov, who is the 39th richest man in the world with a fortune of \$13.4 billion according to Forbes' ranking, came under fire from United Russia members last September after announcing that he would buy the New Jersey Nets, an NBA team.

Senator Aslanbek Aslakhonov called the purchase "unpatriotic," while Senator Viktor Ozerov said the businessman was sending his money in the wrong direction.