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PRESS RELEASE

Position of the Association of European Businesses on the Legislative Initiative on the Prohibition of Agency Labor in the Russian Federation

The Association of European Businesses believes it to be very important to express its attitude toward and the **position of international businesses operating in the Russian Federation on the recent legislative initiative on the prohibition of outstaffing and secondment in the Russian Federation proposed by the State Duma Committee for Labor and Social Policy**. This initiative proposes considerable restriction and, most dangerously from our viewpoint, full prohibition not only of concluding civil agreements with employees even in economically and legally justified cases, but of using outstaffing and secondment in nearly all of its forms.

As a result of the measures proposed by the authors of the draft law, tens of thousands of Russians will lose their jobs, and the influx of highly skilled foreign professionals to Russia will be suspended.

For the country, this would mean a sharp increase in unemployment, loss of investment attractiveness, lower tax payments to the budget, extensive corruption, and new growth in grey and black labor payment schemes and illegal employment.

Many highly skilled foreign professionals employed in Russia on the basis of HR procurement contracts (secondment) will be forced to leave the country for economic reasons, which contradicts amendments to migration legislation adopted last year in July aimed at attracting highly skilled foreign specialists.

The losses of large foreign holdings operating in Russia which globally employ agency labor and use secondment agreements with their foreign employees can be scarcely evaluated due to their enormous scale.

Instead of prohibition of agency labor, it will be worthwhile to define, in the Labor Code among other places, the concept of **personnel leasing, outstaffing and secondment** and to specify the status of **these employees** in order to minimize possible negative consequences of the lack of uniform legislative regulation in this sphere, as well as to ensure the required level of rights and guarantees for workers.

Frank Schauff, CEO of the Association of European Businesses, which represents over 600 European companies in Russia, notes that *"along with the modernization of the Russian economy and active integration of the Russian Federation in international business society, conscious restriction or full prohibition of modern and effective forms of HR employment looks inefficient. Obviously, this will affect the investment and business environment in Russia, which, in the opinion of foreign businesses, contradicts the long-term objectives of the Russian government for the modernization of the Russian economy"*.

Olga Bantsekina, Chair of the Human Resources Committee of the Association of European Businesses, emphasizes: *"Today in the Russian Federation, hundreds of foreign and Russian enterprises throughout the country, as well as tens of thousands of their employees, rely on different schemes of outstaffing, staff leasing and secondment. It would be unwise to undermine the policy of the Russian government on the support of production growth and the inflow of foreign investments by the prohibition of common international practices, which means, for the companies, opportunities for efficient HR planning in order to maximize the effectiveness of production"*

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processes, and allows workers to pursue the individual career paths that are the most attractive to and profitable for them”.

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About the AEB

Founded in 1995, the AEB is an independent non-commercial association with a membership of over 600 companies from across the European Union and Russia. Our members range from large multinational corporations to SMBs and are united by their commitment to forging stronger economic ties between the EU and Russia, as well as improving the business environment here in Russia.

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