

# Special Update on Amendments to the Russian Labor Code

June 2006



**This Special Update provides a brief overview of amendments to the Labor Code of the Russian Federation (the "Code") introduced by Federal Law No. 90-FZ of 30 June 2006 (the "Law").**

The Law amends the Code and terminates certain legislative acts of the USSR and Russia on employment/labor relations. Although the amendments are numerous (more than 300 articles are amended and the 13 new are introduced), below we outline only the most significant changes introduced to the Code:

## Employment Contract

Although implied in the previous version of the Code, the revised Code explicitly states that an employment contract may not be invalidated on the ground that it does not contain one or more obligatory conditions stipulated in the Code. In such case the contract must be revised to incorporate the missing conditions.

## Termination of Employment

If the employment is terminated due to changes in employment terms or redundancy, the employer must offer the employee all the vacancies (even the less paid ones) in the same company and not only those that match the employee's position or qualification.

## Job Sharing

Instead of the terminated Article 98 the new Article 60-1 regulates external and internal job sharing while the essence of the regulation remains the same. Under the amended Code, job sharing working hours are now increased to a maximum of 20 hours per week (instead of a previous maximum of 16 hours per week).

The delegation of additional functions to the employee is subject to the employee's written consent which can be withheld or withdrawn by the employee.

## Executive Compensation

The employment contract with the CEO must provide for at least three-months average salary severance payment in case of termination ahead of term in the absence of cause.

## Work Safety

Companies with more than 50 employees (previously – 100 employees) must have a special work safety service or a work safety officer. Moreover, companies are now required to spend 0,2% of their production expenses on improvement of work safety (previously 0,1%).

Following the amendments to the Labor Code, on 29 May 2006, the Russian Ministry of Public Health and Social Development issued Order No. 413 approving

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the model regulations on work safety to be used by employers.

## **Material Liability**

An employer must compensate the damage suffered by its employee due to non-payment of salary or vacation compensation regardless of the employer's fault.

## **Local Normative Acts**

While previously local normative acts (an employer's policies and procedures) that deteriorated employees' rights as compared to their rights envisaged by the Code were held invalid in their entirety, the rules have now been changed to prohibit the application of the provisions of local normative acts that disadvantage employees.

**The amendments entered into force on 3 October 2006.**