



# HOW TO HIRE MY FIRST EMPLOYEE IN RUSSIA

## MAIN LEGAL STEPS TO FOLLOW TO HIRE A FIRST EMPLOYEE

After the company registration (accreditation), you can hire your first employee. In general case, your first employee is the General manager of the company or Head of the Rep office.

While registering the legal entity with the support of the local lawyer, he will prepare all the necessary papers to appoint a General Manager and you don't need to worry about the legal aspects of it. Your task will be to choose a candidate for this job before the registration starts and inform the lawyer.

The registration authorities don't require you to provide a signed employment contract of the General manager during the registration (accreditation) process, but it is the first thing to do after getting the registration certificates and opening a bank account.

Due to the large number of legal requirements related to the accounting payroll calculation and HR administration, we recommend to subcontract a local accounting outsourcing provider to guarantee full compliance.

Should you hire a local (Russian) manager with a clear understanding of the local culture and business ethics? He or she may be well connected, making it easier to solve problems when they arise. The disadvantage of this option is that the talent pool for managers is still relatively small in Russia, and as an SME, you will be competing with the big firms and be expected to pay top dollar to good managers.

Another option is to find an expat already settled in Russia, ideally with a Russian family and looking to stay for a while. These candidates usually speak Russian and have a good understanding of the Russian culture and values. They may have good connections and have worked for start-ups before, and so understand the needs of SMEs on a tight budget. The downside of this group of candidates is that they tend to be entrepreneurial and looking to set up their own business and they may not be a long-term solution.

One option that has become more popular is bringing a young expat over from the home country. Usually unmarried, ambitious, and looking for international experience, they are generally willing to give 2-3 years with relatively low pay to gain this type of experience.

## DESIGN AND CONTENTS OF AN EMPLOYMENT CONTRACT

### Employment Contracts

A written employment contract setting out the terms of employment must be concluded with every employee and drawn up in two copies, each of which is signed by both parties. The employer must draw up the employment contract within three business days after the day the employee starts work.

The Labour Code establishes mandatory requirements for the content of employment contracts.

As a general rule, employment contracts are concluded for an indefinite term. A fixed-term employment contract (no more than five years) may also be concluded, but only in those circumstances specifically prescribed by the Labour Code.

An employee's job responsibilities must be defined in the employment contract. An employee cannot subsequently be required to perform tasks outside the scope of duties described in the contract.



Employers are required to issue an internal order each time an employee is hired, transferred to a new job, granted a vacation, disciplined or dismissed, as well as in other situations. Moreover, employers should adopt a certain set of internal regulations compliant with Russian law.

### **Working Hours**

- Employers are required to keep a record of all time worked by each employee, including overtime
- The standard working week in Russia is 40 hours over a five- or six-day week. For certain categories of employees, the number of working hours should be reduced (for example, for employees aged from 16 to 18, disabled employees)
- The law strictly defines the minimum payment for overtime and holiday/weekend work
- On the eve of public holidays, the working day should be one hour shorter

### **Paid Holidays**

All employees are entitled to a minimum of 28 calendar days of paid leave annually. Normally, employees may begin taking vacation time for the first year of their work after they have worked at a company for six months continuously.

### **Wages and Salaries**

Salary must be paid in Russian roubles twice a month. Salaries may not be lower than the minimum monthly salary established by Russian law. The minimum wage is regularly adjusted.

## **CAN SOMEBODY DO BUSINESS FOR ME AND NOT BE AN EMPLOYEE?**

Yes, you can hire an individual as a consultant on a fixed term contract. However if there is no clear reason for this kind of employment (seasonal project for example) then relationship can be classified as a regular employment. It should be noted that in this arrangement the social taxes are almost the same and are also borne by the employer.