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Investment in personnel and FDI in Belarusian companies

Hanna Danilovich *, Richard Croucher

Middlesex University Business School, United Kingdom

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ABSTRACT

We examine trends in investment in personnel in Belarussian enterprises and the impact they have on companies' capacity to attract FDI and modernise. Others have argued in favour of the economy's robust fundamentals, using macro-level data. They have suggested that Belarussian industry has attracted considerable FDI, due in part to high investment in human capital. Our findings, based on micro-level data from Belarussian enterprises in 2009–2014, demonstrate that investments in personnel have decreased since the global financial crisis and are suboptimal, reducing industry's capacity to attract and retain FDI. Management has limited ability and inclination to address these problems, due to government pressure. We conclude that the model may be becoming less sustainable as a result.

1. Introduction

Belarus presents a specific developmental model on the transitional periphery because of its rejection of neo-liberal ideas and policy of maintaining jobs. We examine developments in investment at enterprise level which indicate that the model's long-term sustainability is questionable. Government attempts to maintain a recognisably Soviet model have been documented (Danilovich & Croucher, 2011). Belarus has a very low level of privatized industry, the state is involved in many commercial transactions, private property rights are only weakly protected, very high levels of government control exist over investment and finance, and corruption is widespread (Pastore & Verashchagina, 2006). Regulation is more arbitrary and unpredictable than in neighbouring Ukraine, since President Lukashenko rules by decree. Nonetheless, until the world financial crisis hit state finances, Belarus had a degree of success in comparison to its neighbour Ukraine even before Eastern Ukraine became a war zone. It has preserved a substantial industrial base and a solid educational system. Its average nominal wage in 2013 was $564.2 (compared to $408.5 in Ukraine and $291.9 in Moldova). Belarus has the lowest percentage of people below the poverty line when compared with Ukraine and Moldova (5.5%, 9.1% and 16.6% respectively, data for 2012, National Statistical Committee of the Republic of Belarus, 2014a: 66–72). Russia remains a major and supportive trading partner. Recently Belarus joined the Eurasian Economic Union formed by Russia and Kazakhstan, seeking to extend long-standing economic cooperation (Blockmans & Kostanyan, 2012).

The state's major role in the economy has consequences for Foreign Direct Investment (FDI). Industry and agriculture remain heavily subsidized,[1] partially in order to maintain employment (0.6% unemployment in 2013 according to the Belarussian Statistical Committee). The overwhelming majority of large- and medium-sized companies are controlled by the state either through direct ownership or shareholding, with government shares reaching 99% in some companies. Private enterprises are concentrated mostly in trade and services and contribute approximately 25% of GDP (Lavrinkevich, 2014). Companies pursue the government's goal of the 'social state' by preserving jobs. The government pushes companies to attract FDI but also imposes certain social conditions, such as the compulsory involvement in negotiations of the *kontcern*, a state industrial conglomerate, which controls FDI inflow and investment conditions. This system appears relatively unattractive to foreign investors. In 2013 the overall inflow of FDI into former Soviet economies increased by 28% compared to 2012 (from $80.65 mln to $103.24 mln). Belarus's share in the total amount was modest ($1.46 mln in 2012 and $2.23 mln in 2013), with the total value of

* Corresponding author.
E-mail address: h.danilovich@mdx.ac.uk (H. Danilovich).

[1] The government recently announced cuts in direct subsidies for the majority of enterprises. Direct money injections will now be replaced by preferential access to markets, increased export protectionism and intensified import substitution to reduce the enormous stock of finished products.

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Greenfield projects falling from $787 mln to $581 mln. (UNCTAD, 2014: 208, 221). FDI in Brownfield projects came mostly in the form of reinvested profit from joint ventures, with the total value of cross-border mergers and acquisitions (M&As) reaching just $13 mln in 2013 (UNCTAD, 2014: 218). Ever-decreasing state subsidies, no longer sustainable at their previous levels since the global financial crisis, remained as the main funding channel, putting many companies on the brink of bankruptcy.

Two principal schools of interpretation of the country's position exist. The first is a group of researchers which argues for the country's positive macro performance in relation to Ukraine and Russia and assert its underlying resilience (Ioffe & Yarashevich, 2011). National statistics are deployed to support these arguments, including *inter alia* figures suggesting that high levels of human capital development are present. The largest single corpus of writing on the Belarussian economy comprises works from this optimistic school, contending that the economy's fundamentals are robust (see e.g., Rudenkov, 2003; Shimov, 2009; Dorina, 2005; Nikitenko, 2008). Optimistic authors draw extensively on official macro-economic statistics on total FDI inflows. However, most of this 'FDI' comprises loans from foreign partners and reinvested profit (Manenok, 2013). Belarussian 'optimistic' scholars have been supported by a recent positive reference made *en passant* by Lin (2012: 190) regarding the country's gradual approach to change. Having abandoned an earlier argument that convergence with Western coordinated market economies was occurring (Rudenkov, 2003; Dorina, 2005), they vigorously defend the state's central role in the economy. These researchers claim that Belarus has been implementing an innovation-driven, personnel-focused solution to attracting FDI and surviving the global crisis (Myasnikovich, 2011; Shmarlovskaya & Petrushkevich, 2012).

A second group is more critical and on occasions pessimistic. It has been argued that the country is subject to an extreme form of Burawoy's (2001) 'involutionary retroregression' or the tendency for certain post-Soviet regimes to evolve in a backward sense due to increasing rather than decreasing state intervention. It has been suggested that Belarus is today more economically state-dominated and politically repressive than pre-1989 (Danilovich & Croucher, 2011). Such researchers emphasise that from the mid-1990s, foreign competition began to bite and could not be dealt with by price controls (Pastore & Verashchagina, 2006). A contribution from the 'new institutionalist' perspective also suggests a subtly critical view, suggesting that the country is moving towards 'state capitalism'; external pressures from international sources are recognised and the lack of reference to intermediate institutions such as trade unions to invest in training are evident (Korosteleva, 2007). Others argue that the financial crisis has hit the indebted Belarussian state hard, increasing its indebtedness, and that the Eurasian Economic Union offers few prospects for it since its main purpose is to support Russia's foreign relations (Blockmans & Kostanyan, 2012).

In the context of this broad debate, we examine training at enterprise level and the link between this and FDI, suggesting a connection between decreasing intra-firm investment in personnel training and low levels of FDI attraction and retention. We argue that underutilisation of human capital negatively affects knowledge creation and technology adoption. We begin by deriving research questions from various literatures. Next, our methodology is explained, together with context-specific difficulties. Our core section discusses the findings from an empirical study of personnel management practices and provides statistical evidence of its dynamics. We then examine perceptions of development opportunities and finish with an analysis of the resulting changes in labour productivity and impact on FDI. We conclude by identifying our contribution.

2. Research questions

Comparable transition economies which may represent viable alternative locations for FDI have seen increasing volumes of training in workplaces and demonstrated a tendency for enterprises to take a more strategic approach to it (for Kazakhstan, see Minbaeva, Hutchings, & Thompson, 2007). In some cases considerable increases have been claimed in employees trained in-house. Data from the Russian National Statistical Committee show that the total number of employees receiving training increased from 0.77 million people in 1995–1996 to 4.996 million in 2010. (Russian Federal Statistical Service, 2005, 2011) The most noticeable trend has been the increased share of skilled workers without higher education among those trained. In-house training directed at this category of worker jumped from approximately 5.1% in 1995–1996 to 40.7% in 2010. 83.6% of skilled workers were trained in-house, showing that Russian enterprises are addressing previous problems: limited finance, a shortage of skilled trainers/mentors and the persistence of the Soviet company culture based on information hoarding and secrecy even between departments of the same enterprise (see, e.g., Soltitskaya & Andreeva, 2007; Tan et al., 2007; Tsuhlo, Lazareva, & Denisova, 2006). These official statistics are confirmed in their broad outlines by non-official sources. A comprehensive enterprise survey conducted in Russia in 2011 by the Sberbank[2] Centre for Macroeconomic Studies found that 35% of the respondent companies had increased their investments in personnel training since the 2008–2009 crisis compared to 17% in 2000–2008 (Ivanova & Kamenskih, 2011: 7, 18). Management training increased.

A broadly comparable upward trend was in evidence in Ukraine prior to the crisis in relations with Russia and subsequent war. Workforce training in Ukraine in 2011 was predominantly conducted in-house (175.6 thousand people) as opposed to external training (54.4 thousand people). The total number of employees who received training in 2011 was 230.0 thousand people, a drop in comparison to the pre-crisis year 2008 when the total number of workers trained was 290.1 thousand people, but an improvement compared to the crisis year 2009 when the total number of trainees was 209.3 thousand people (,State Statistics Service of Ukraine, 2008, 2009, 2011). There is nothing to indicate in either the Russian or Ukrainian statistics that training is other than directly production-related as opposed to health and safety related as in Belarus (see below).

Internationally high levels of investment in Belarussian human capital are cited by some authors (e.g. Ioffe & Yarashevich, 2011) as a result of the high number of years of schooling, which places the country, along with other post-Soviet countries, at high positions in international league tables for human capital development (UNDP Human Capital Report, 2011). There is therefore a sound base for further development of human capital during working lives (Malamud & Pop-Eleches, 2008). The question is how much further vocational education and training is in place. We must also consider management and worker perceptions of training and its value. Outside of state requirements for certain very specific types of training, there is no obvious institutional pressure for increased training. Attitudes therefore become proportionately more important. In Russia, it appears that these have shifted towards emphasising the importance of workplace training, but the Belarussian situation is unclear.

In summary, two interim conclusions inform our research questions. First, comparable transition economies claim to have improved the volume of production-related training aimed at managers and skilled employees and there is some external corroboration of these claims. Second, there are no equivalent

[2] Russian Savings Bank, one of the largest banks in Russia.

national statistics for Belarus to permit comparison and what is happening at enterprise level remains *terra incognita*. Thus, our research questions are:

- How has the nature and volume of enterprise investments in training evolved?
- What are managerial and employee perceptions of training and its value?
- What FDI-related outcomes arise?

3. Method

Belarus is one of the most problematic research environments in the world. Even those sympathetic to its government enumerate numerous potential problems (e.g., Mandel, 2004: 213–222)). One difficulty is the country's general socio-economic environment: the overwhelming majority of Belarussian enterprises are (explicitly or implicitly) state-owned, with directors appointed by the state.[3] The system of 'ideological control' in enterprises has grown much stronger (Danilovich & Croucher, 2011). Senior management is frequently unwilling to allow social or economic research. Even where managers decide to cooperate, it is difficult to elicit answers to direct questions in questionnaires and interviews since researchers are regarded as accountable either to the enterprise director or state institutions. Other problems include the limited availability of labour market data, and the total absence of information on government institutional control at enterprise level. We therefore gathered data from informal interviews with individual workers conducted outside factories.[4] To collect data at enterprises, two different permissions were sought and eventually obtained: one from the government (via a request sent to the Ministry of Foreign Affairs) and another from the Regional Executive Committee. The sample included nine large- and medium-sized companies in the Mogilev region. Seven of these are quasi-privatised (formally privatised but with a government share of up to 99%) and two are state-owned. Enterprises of various sizes and types were chosen. All had a human resources, or personnel, department and trade unions.

Company data including figures for FDI dynamics, expenditure on training (measured as percentage of total labour costs), level of training (measured as the hours of training received), wage dynamics, productivity change and career progression for trained and untrained personnel were analysed. The data were separated for white-collar and blue-collar managerial and non-managerial staff, by educational background and level of job tenure. Questionnaires were developed to cover as many labour management issues as possible while avoiding 'sensitive' issues; a specific version was developed for use with workers with relatively low levels of education. After the second, simpler questionnaire was introduced, response rates increased from 35% to 65.9% (2100 questionnaires were distributed, 1384 returned). As almost all questions were answered, the amount of missing data was low and almost entirely concerned responses that might help reveal respondents' identities. The problems were mitigated by having a native Russian speaker carrying out the fieldwork, a researcher who could be seen, in the words of a manager, as 'someone who belongs with them and is thus capable of reading between the lines'. A high response rate was also partially due to the use of 'gatekeepers' (in this case personnel inspectors) in their distribution and collection. Questionnaires were distributed among white-collar and blue-collar non-managerial staff with different educational backgrounds and various lengths of job tenure.

18 interviews were conducted, 9 with personnel inspectors and 9 with labour planning managers. Belarussian managers engage more readily with direct, structured questions. Once interviews started respondents became more relaxed and started talking more freely, discussing issues deliberately left unmentioned by the researchers. Predetermined questions were asked seeking their view of labour management processes at their enterprises, employees' human capital, research and development (R&D) policies and the external and internal institutional environments. Between three and five management interviews were conducted per enterprise, depending on its size. All interviews were conducted person-to-person; people refused to talk on the telephone ('You never know who is talking to you and, more importantly, who is listening', as one manager said).

4. Findings

4.1. The evolution of enterprise investments in training

Training and development are much less regulated than remuneration or dismissal. Training provision for the employed workforce has been left, for the most part, in the hands of enterprise management, with governmental and presidential structures controlling only the fulfilment of minimal requirements. This has recently resulted in state-controlled companies shrinking their training budgets to minimal levels and private companies abandoning training altogether, to cut costs. The largest fall, unsurprisingly, took place in the last five years when the economy was hit by the global crisis (Table 1).

In our nine companies, employees in managerial and highly skilled technical roles were the main recipients of work-related training, a pattern similar to that reported for Western companies (Blundell, Dearden, & Meghir, 1996; O'Mahony, 2012). Most training received by blue-collar respondents was legally required health and safety training only. 86.2% of respondents received health and safety-related training at least once in the last five years. Of these, 33% received it more than once. According to personnel inspectors, their main concern is to make employees aware of health and safety regulations as failure to do so may result in lawsuits. Only 31% of highly educated specialists and 2.2% of workers without higher education reported that they had been sent to production-related courses, paid by their employers, in the last five years. 83% of highly educated employees reported that they received all their training (including training in production and job-related matters) entirely by paying for it themselves.

Personnel managers admitted that the only help they are legally obliged to give is to provide with the necessary number of days off work during exam periods (twice a year) after receiving signed confirmation from the educational establishment. Thus, the only guaranteed benefit an employee is entitled to by law is the extension to their annual leave by the number of days spent in training (Article 151 of the Labour Code). The enterprise is not

Table 1
Average company expenditure on training, 1996–2013 (per cent of total labour costs).

Company type	Period		
	1996–2001	2002–2007	2008–2013
State-owned	3.7	5.2	2.2
Quasi-privatised	4.2	7.9	2.8
Private	1.8	1.4	0.2[a]

Source: Authors' calculations based on company data.
[a]Data based on one company.

[3] The appointment of each director has to be personally approved by the President.

[4] Workers refused to talk within their work environment because they feared persecution from management. Therefore, interviews occurred at private apartments.

legally obliged to pay the wage premium or any other bonuses or benefits for these days, unless such a requirement is specified in the collective agreement (these did not exist in the establishments surveyed) or if the person is sent to receive the professional or the first higher educational qualification by the enterprise (Articles 214–216 of the Labour Code). In the latter case, an employee is legally entitled to receive 50% of the tariff part of their wage[5] during the total length of study for full-time degree courses or a full tariff wage for short courses. Organizations, however, find numerous ways to deprive workers of this right. 61% of white-collar and 91% of blue-collar workers reported that they were warned of the possibility of termination of their contracts when they mentioned their desire to undertake full-time studies. 'Haven't they taught you anything at the university? Your diploma says you are a specialist, so go on, work', one of the interviewees, a textile technology engineer was told by his manager.

91% of personnel managers admitted that companies do not specify the provision of study/training packages in employment contracts and do not set individual development goals even for key employees. Workers on fixed-term contracts are dismissed towards the end of their contracts and then re-hired to avoid any statutory requirement for training. This sometimes requires a new job title at the same grade and pay rate. Where this cannot be done, the employee may be trained, though in this case a personnel inspector commonly assigns him or her to a training programme at the last minute to save money, suggesting a financial motive for restricting training. As one labour planning manager said: 'If I start sending everyone to courses and workshops, the factory will either go bankrupt or, more likely, I will be fired. If it is absolutely necessary to train then I will send the smartest, he will then return and teach everyone else, so that, as they say, the wolves are fed and the sheep are alive'. Thus, a clear distinction can be made between formal training received by the selected few and informal training received by many. The latter is provided in the form of mentoring when the recipients of formal training pass on knowledge to the rest of the working collective. This was found to be a common money saving method of training for UK companies during the crisis (Felstead, Green, & Jewson, 2012). There is a clear risk of messages becoming diluted as they are passed on in abbreviated form.

The HR manager of the state medical organisation, interviewed separately two years after the first round of the main study was conducted, confirmed widespread use of the training practice whereby only one person, usually the head of the department, is formally trained if a particular need arises (installation of new equipment, new vaccine, etc.) while the rest receive no formal training and are either taught by the person who attended formal training or simply read the instructions. This does not lead to any changes in wages or tariff grades for those concerned. Indeed, even the small potential for attending directly production-related training to raise earnings may be one reason for managers avoiding providing workers with such training. Training provided by the enterprise normally has very little effect on earnings, being either a formality that must be fulfilled for legal reasons or the only way for employees to keep their jobs. Some categories of employees, such as accountants, personnel department specialists or company lawyers, may not receive company paid training at all if top management decides that they do not need it. As one interviewee, a senior personnel inspector, reported: 'the deputy director said: you do not need training, this costs money, you know everything yourself, and if you don't know, look in the journals'. Training is also used as a disciplinary tool. One HR manager admitted to an informal practice at her enterprise. If senior management wished to dismiss an employee whilst avoiding legal action against them, they stopped sending them to formal training. Since the employee would have broken the terms of their contract, they could then be faced with the choice of either leaving 'by mutual consent' or with dismissal for failing to fulfil their obligation (Labour Code Article 42, paragraph 2).

A justification often given by managers is the large number of unemployed people seeking work (contrary to official statistics showing unemployment at 0.4% in 2011 (Koettl, Oval, & Santos, 2011) a figure increased to 0.5% in 2013 (National Statistical Committee of the Republic of Belarus, 2014b). As all our respondent HR managers agreed, it is easier to get a new worker than to train an existing one. As some of them put it: 'there are so many people with good workers' qualifications out in the street that it is cheaper just to get one from the job centre or elsewhere than waste my time and the head of the department's time developing all those study programs, timetables and other stuff just to tick the box'; 'If I need a carpenter or a plumber to fill a vacancy, all I need to do is to whistle and I will have a queue'. As they admitted, the easiest way to fulfil legal requirements is to assign a higher *razryad* (work grade) on the basis of the length of job tenure (after an exam which is a pure formality)[6] which involves a minor increase in wage (the size of increase is specified by the Tariff and Qualification Reference Book) which is cheaper than providing training. One of the labour planning managers justified the practice: 'Look, if the man is in his job for ten years, he knows it anyway, so this is better for everyone: we are within the boundaries of the law, and people don't have to travel anywhere in the middle of the year. Everyone is at their place, everyone is happy, no one complains, there is peace and quiet'. Nevertheless, and despite the supply of workless people, a lack of specific training was also admitted to be an issue in terms of up-skilling existing workers with company-specific skills. Moreover, investments in existing personnel encourage reciprocal investments from the personnel themselves. Solutions based on hiring unemployed individuals are therefore only partial.

4.2. Perceptions of training and its benefits

Minimal training opportunities mean poor career prospects for most employees, unless they have connections. Some personnel managers denied this, referring to the government requirements. One, from a large textile enterprise, argued that their enterprise cares greatly about employees' chances to enhance their training and career opportunities. According to her, the enterprise has regular career checks and monitoring for every employee group to find 'the best and the brightest', who receive full support from senior management. As an example she told the story of a young woman who won the enterprise's young talent competition for whom the enterprise pays for a postgraduate degree in order to keep her working for it afterwards. However, when asked about the young woman's other connections to the enterprise, she admitted that the woman's parents both work as managers (one as a senior manager) at the same enterprise. As the manager put it, they form a 'labour dynasty' which, in her words, 'shows that there is the potential for growth for the whole family, and this is, actually, not bad at all, shows others what they and their families can achieve when they give their working lives to the enterprise'. The personnel inspector of a health organisation told a story of a chief accountant who managed first to 'squeeze in' her daughter's best

[5] Those studying do not keep any benefits, bonuses or wage premiums.

[6] The practice is formally allowed by the Statute on Continuous Professional Training of Workers (and Employees) of the Council of Ministers of the Republic of Belarus No. 599, (15.05.2007) and the Statute on the Process of the Certification of Personnel Trained in Worker Specialties under Continuous Training at Work and being Awarded Qualifications passed by the Ministry of Education of the Republic of Belarus No. 494 (13.08.1998).

Table 2
Employee perception of their potential wage growth and career progression as a result of received training at state-owned and quasi-privatised companies (by level of education).

Employee perception of potential change (percentage of respondents)	Wage			Career progression		
	Highly educated (university)	Educated (professional college)	Non-educated (secondary school)	Highly educated (university)	Educated (professional college)	Non-educated (secondary school)
Will grow/improve	13%	24%	36%	8	5	2
Will stay at its current level	87%	76%	64%	92	95	98
Will decrease	–	–	–	–	–	–

Source: Authors' calculations based on company data.

Table 3
Employees' perception of their potential wage growth and career progression as a result of received training at state-owned and quasi-privatised companies (by length of job tenure).

Employee perception of potential change (percentage of respondents)	Wage				Career progression			
	1–5 years	6–10 years	11–15 years	Over 15 years	1–5 years	6–10 years	11–15 years	Over 15 years
Will grow/improve	29	18	13	7	3	5	9	4
Will stay at its current level	71	82	87	93	97	95	91	96
Will decrease	–	–	–		–		–	–

Source: Authors' calculations based on company data.

friend as a trainee bookkeeper, then persuaded the head of the organization (her personal friend) to pay for the young woman's college training, and then tried helping her protégée to receive a higher tariff grade while she was still in training. The examples demonstrate the powerlessness of many of those responsible for training.

Responses from employees of different educational backgrounds and job tenure confirm the argument (Tables 2 and 3). Incentives to train are generally low. Most employees foresee no change in their career situation as the result of the training received. Some, especially workers with only a few years of work experience who have not yet reached a higher *ryazryad* will see their wages rise (the average increase per *ryazryad* is 5–8%, depending on the company). However, those whose work is graded lower than the next *ryazryad* they get, will experience no wage increase, since companies establish the pay grade in relation to the job, not the worker's grade.[7]

Therefore the majority of employees do not see any benefit in training and regard it as something they need to do to retain their job. The perceived quality of training was also an issue: 84.3% of blue-collar and 73.5% of white-collar respondents described training they received as 'a waste of time'. Consequently, the highest skilled and more experienced workers are gradually lost; our survey showed that more than two-thirds of highly skilled workers and educated specialists at state-owned and quasi-privatised enterprises have either already retired or will reach official retirement age (55 for women and 60 for men) in the next few years while younger workers prefer to leave and enter either the private sector or migrate to Russia. 74% of employees under 30 (both educated specialists and skilled workers) stated in their survey responses that they wished to leave their enterprises due to low remuneration and poor career prospects. Our company data suggest that the share of highly skilled employees with industry-specific human capital (graduates with specialized university degrees and at least three years of experience), which initially grew in 2002–2007 (due to heavy state subsidy made possible by the 'oil money' received from Russia and revival of the strict system of centralized recruitment of graduates), declined in 2008–2013 at every workplace. The smallest 'brain drain' was identified at the chemical factory – an artificial fibre producer (Company 2), largely due to the highly specialized production process which limits the ability of personnel to use their skills elsewhere.

4.3. FDI-related outcomes

Low turnover among middle-aged and older workers combined with the constant loss of highly skilled workers at both ends of the age scale to increase the need for larger investments in employee training. The situation is worsened by the broad programme of technological modernization initiated by the Belarussian authorities two years ago, which companies are, in fact, unable to implement, since most of the workforce lacks the knowledge needed for efficient use of new equipment that companies are compelled to buy. The consequence is low attractiveness of the surveyed companies to foreign investors. Aggregate data for the nine companies showed the total amount of foreign investment to be steadily declining (from $57.52 million in 2006 to 26.71 million in 2014).[8] Only one company of the nine (the large artificial fibre producer) attracted new FDI in the last two years ($15 million) when the state agreed to become a guarantor. For others, the government remains the main cash donor as well as the main controller. Recently, four of the enterprises were identified by the Belarussian government as 'problematic' (i.e., lacking the ability to produce output competitive in external markets) and ordered a programme of 'comprehensive modernisation' (which does not include additional training and/or re-training of personnel). Previous programmes of technological modernisation completed at four other enterprises in the sample failed to deliver tangible improvements in output and productivity. When asked about their results, labour planning managers admitted that they had to use

[7] Every job and work grade is stated in the Tariff and Qualification Reference Book. When signing the work contract, the worker is usually told the grade of the job he/she is hired to do and has to agree to receive pay according to this grade regardless of the work grade/education he/she has. So, for instance if a highly qualified electrician (grade 6, the highest possible for work specialties) is hired to work as one but the work is graded by the company at grade 4, he will only receive pay at grade 4, since the company does not consider his job to be worth paying at grade 6.

[8] Most foreign investment comes from Russia in the form of reinvested profits from joint projects.

old production methods and low production quotas on new machinery since many workers lacked the capacity to utilise it fully.

5. Discussion and conclusion

Our contribution was to show that investment in training in a group of Belarussian companies has decreased significantly. Companies provide training but only sufficient to comply with government regulations. Employers are unwilling to support those who engage in full-time study and prefer to conduct in-house training which in many instances brings employees very little or no benefit in terms of wage growth and no visible career progression. Rather than involving employees positively, there was evidence of training being used as a disciplinary tool. No company viewed training as a strategic management concern, which, combined with the cost-saving motive, resulted in the prevalence of a semi-informal mode of training: mentoring schemes, which may superficially appear to demonstrate loosening of the Soviet-style state system of control but are in fact a pragmatic response which leaves some machinery used at less than full capacity.

We therefore suggest that the more positive or optimistic group of researchers has reached conclusions that appear questionable when viewed from the enterprise. Trends towards increasing involution and state control have reached the point at which they are denying sufficient space for managers, intrapreneurs and norm entrepreneurs to innovate at company level. The relative openness of the Belarussian economy to external financial markets rapidly feeds through in crisis to reduced training and, in turn, to a long-term reduction in the country's ability both to maximise labour inputs and attract FDI. Through this negative dynamic the economy is becoming more sealed off from external influence and innovation. This variant of the transitional periphery model may therefore be becoming unsustainable in the long term; the central underlying cause appears to be the sharpening contradiction between growing state control of industry and its reduced capacity to subsidise it.

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