

This abstract forms the basis of a more extensive article to be published as follow-up to the seminar ‘Governance, International Law and Corporate Social Responsibility’ organised by the International Institute for Labour Studies (IILS). It will aim to contribute to an increasingly important debate taking place at national and international level triggered off by the emergence of new models of governance, the break down of traditional social contracts and the role of corporations in shaping the societies of tomorrow. The focus of this paper will be on the importance of promoting socially responsible restructuring practices in enterprises as a means of minimising the negative effects of structural change. The main general tendencies and policy options adopted European governments, as well as the options available to companies for turning restructuring into a job creation possibility, will also be outlined.

Over the last decade the concept of Corporate Social Responsibility (CSR) has merited a great deal of attention by policy makers, social partners and the business community across the EU. What started as an appeal by political leaders to the business world to take part in the fight against social exclusion, quickly turned into a much wider debate about corporate ethical behaviour in the 21st century.

The CSR agenda in Europe was initially driven by the European Commission in the larger context of the EU Lisbon agenda of 2000. The publication in 2001 of a much downloaded Green Paper on CSR was followed by an official Communication issued by the European Commission in 2002. Both of these documents served to fuel a debate which was to be articulated through a European Multi-stakeholder Forum on CSR (2002-2004). The aim of the Forum was to allow for the exchange of experiences and views and provide a better understanding of the concept in the context of EU policy making for all those involved – employers, trade unions, governments and civil society.

However, it is really the shift from an industrial era to a service based economy and the growing number of corporate restructuring processes associated with this phenomenon that has triggered off discussions and research on the subject at numerous levels. Alongside recent CSR political developments, Europe has started to witness the beginning of a new type of social contract. The emergence of globalisation, a rapidly ageing workforce, unsustainable social welfare models, technological developments, high levels of structural unemployment and rising inequalities are just some of the factors that have contributed to a breakdown of social pacts between citizens and the state.

As part of this reality, corporations in their role of engines of the economy and providers of socio-economic wealth are caught in the middle of a complex new picture. On the one hand, society nowadays expects companies to be more responsible in their internal and external practices vis-à-vis all their stakeholders. On the other hand, companies themselves are having to adapt to the most rapidly changing environment that the economy has witnessed since the days of the Industrial Revolution.

Socially responsible restructuring

The drivers of change that impact on a company's performance are so varied and unpredictable that restructuring has become an on-going business practices and no longer a one off occurrence. Economic, social and technological developments are increasing the pressure on corporations to adapt to change in order to remain competitive and survive.

In recent times though, the term restructuring has gained a negative connotation and is most often associated with the loss of jobs. This is largely due to the fact that traditionally, the most common way of cutting costs and guaranteeing business survival was purely based on short-sighted measures focused on reducing staffing levels. As of late, and largely as a result of the Lisbon strategy objectives to create more and better employment in the EU and to keep workers active for longer, greater emphasis has been placed on developing alternative ways of restructuring.

Business creation initiatives arising from restructuring processes and *socially responsible restructuring* initiatives are becoming important actions that governments are promoting and companies slowly incorporating into their wider CSR agendas.

The concept of *socially responsible restructuring* can be defined as the use of one or more approaches to consciously take into account the interests of all the organisation's stakeholders. An important aspect of *responsible restructuring* is the willingness of all those involved, but in particular governments and employers, to go beyond the legal frameworks, to ensure that negative consequences involving workforce reductions are minimised or avoided.

Since structural change is an on-going phenomenon leading to continuous company restructuring, the importance of *socially responsible practices* is fundamental in managing these processes in the least painful manner for all those involved. Therefore the capacity to develop anticipatory and forward looking business methods, the use of timely information and social dialogue processes, partnership based approaches and the willingness to negotiate industrial relations agreements with the workforce all constitute key elements of *socially responsible restructuring* practices.

Creating the right framework conditions

The EU has dedicated a good deal of attention to the issue of restructuring over the last decade: expert groups have been set up, structures and specialised bodies put in place at European and national level and the research base in this field has grown substantially. In terms of legislation, the EU has also issued a considerable body of policy over the last decade aimed at ensuring that employees are informed and consulted about restructuring plans that could have an impact on them directly. Whilst legislation can introduce certain obligations that companies have to fulfil, and it also guarantees certain rights for those negatively affected by restructuring, it does not necessarily prevent job losses.

Indeed, legislation is one element among many and often not even the most useful or important one. If companies are to pursue responsible restructuring practices aimed at keeping workers in employment and minimising negative social consequences, it is vital that the right framework conditions are created so that such schemes can be implemented. Therefore, the importance of government lead plans to nurture innovative business climates and enterprise-friendly legal frameworks is paramount.

Governmental initiatives developed both at EU and national level aimed at creating favourable framework conditions and supporting business creation following restructuring can be grouped into three main categories:

- *Regulatory initiatives* – legislative measures aimed at encouraging the creation of new enterprises following restructuring
- *General public support measures* – policies aimed at encouraging the start up and development of new and small enterprises among those people negatively affected by restructuring processes
- *Specific ad-hoc public measures* – ad-hoc public interventions at sectoral, regional, or even individual enterprise level

Other important support initiatives aimed at mitigating the negative employment consequences of restructuring include: management and employee buy-outs (MBOs or EBOs); support for the creation of completely new enterprises launched by employees affected by restructuring; and support for reindustrialisation activities.

Besides these support measures and state intervention schemes, companies also have to be encouraged to adopt an innovative approach to restructuring and consider long-term solutions instead of drastic short-sighted measures. Some of the more commonly used options available to enterprises may include internal and/or external outplacement services; start-up support units; employee mobility support; early retirement schemes (partial and part-time); efficient communication channels; healthy Industrial Relations climates; public-private partnership models; flexible leave and subcontracting of workers for specific periods of time.

Issues for further reflection

Restructuring and CSR policies in the different Member States are very much shaped by national political and institutional structures, legal frameworks, social models, local and national views on the role of companies, business education and management traditions and of course Industrial Relations. For these reasons it is very hard to find a one size fits all approach and solutions may not always be transferable from one context to another.

Unfortunately, evidence of business creation initiatives resulting from restructuring processes still remain rather limited across the EU. This can be attributed to a number of factors, including the lack of entrepreneurial spirit among Europeans, the preference to work for an employer, existing legal and administrative barriers, limited access to finance and seed capital and the preference by many to take early retirement.

It is a proven fact that when restructuring is done in a socially responsible manner the negatives are substantially reduced. If such processes also lead to new business

creation then society and the economy at large will benefit. Therefore, the challenge is for enterprises, employees, public authorities and trade unions to work together and establish partnerships to manage the process positively for the common good.

The documentation and dissemination of successful restructurings is vital in order to demonstrate that restructuring does not always have to shed jobs. Some kind of evaluation of these specific support programs aimed at fostering socially responsible practices is also long overdue. Their impact and the success or failure factors deriving from these can help us to better understand how to improve such programs in the long run and adjust them to each situation.

CSR in Europe has emerged as an important policy alternative in direct response to a crisis of socio-economic governance and legitimacy affecting European countries. However, it should not be the role of companies to be responsible for certain provisions that have historically been covered by the State. Especially considering that CSR covers a vast number of very different policy areas – from consumer protection to external relations. For this reason, it is maybe time for all parties concerned to engage in a much deeper debate about a new social pact for the benefit of Europe and its citizens.