



European corporate social responsibility and restructuring

Tranversal theme: Companies

Ola Bergström and Andreas Diedrich

September 2006

Monitoring **I**nnovative **R**estructuring in **E**urope

MIRE est soutenu par le Fonds social européen, Art. 6 – Actions innovatrices
Les informations contenues dans cette publication n'engagent pas la Commission européenne





School of Business
Economics and Law
GÖTEBORG UNIVERSITY

European corporate social responsibility and restructuring

Transversal Theme: Companies

26 September 2006

By: Ola Bergström and Andreas Diedrich

Monitoring **I**nnovative **R**estructuring in **E**urope

MIRE est soutenu par le Fonds social européen, Art. 6 – Actions innovatrices
Les informations contenues dans cette publication n'engagent pas la Commission européenne



Table of Contents

INTRODUCTION	3
RESTRUCTURING AND ANTICIPATION.....	6
TRENDS IN RESTRUCTURING PRACTICES.....	10
VOLUNTARY DISMISSAL	10
RE-EMPLOYMENT AND SUPPORT UNITS.....	16
CONCLUDING REFLECTIONS.....	30
REFERENCES.....	34

Introduction

Corporate social responsibility in the context of workforce reduction and restructuring has become a widely discussed topic in the European context. The reason for this debate is the extensive restructuring efforts believed to take place due to increasing globalization, deregulation of product markets and pressures for increasing productivity and efficiency, in both the private and the public sector (European Commission, 2004). Socially responsible restructuring has been promoted, not only as a consequence of the negative experiences of restructuring in several European countries during the 1990s, but also by the restrictions on national governments to support under-performing companies and industries.

However, what social responsibility means in the context of workforce reduction is hard to get a grip on. For some it means that companies should try to avoid workforce reduction as much as possible or at least consider other alternatives before they choose to lay off their workers (Cascio, 2005). For others it simply means to follow the rules as provided by the employment protection legislation, no more and no less. This may, for example, entail to announce notice of redundancy within the timeframe stipulated by law, or to follow the procedures of selecting workers to be dismissed as required by law. This is complicated by the fact that the legal requirements in case of workforce reduction vary between different countries, meaning that a universal definition of what social responsibility means, is difficult to make.

Other researchers have argued that social responsibility means that corporations voluntarily should do more than what is stipulated by laws or collective agreements (Segal, Sobczak & Triomphe, 2003). In some cases this could entail extending the period of dismissal or offering severance payments. Still, the question of what it means to be socially responsible

remains unclear. After all, there are always different interpretations of the law and even if corporations claim to do more than required by law there are different opinions whether such arrangements are effective or not. Furthermore, when companies claim to “do more” than required by law, this tends to be based on a comparison to what other companies do. Common to all these definitions is that social responsibility is defined from the outside, i.e. by actors or institutional frameworks external to the company. As Davies (2003:306) puts it, it is the set of standards of behaviour to which a company subscribes in order to make its impact on society positive and productive.

There are also questions regarding what drives organizations to engage in socially responsible behaviour. According to Davies (2003) corporate responsibility emerges in response to one or a combination of five forces. First, there is the push of top-down compliance such as reporting requirements or government regulations, which introduce a compulsory approach on top of which good companies will tend to innovate. The second force is the working of markets where customers, employees, or capital markets exert some form of preference, pressure or signal. Third there is the ‘reputation pull’ – where companies are motivated to behave well to promote and safeguard their reputation, or ability to attract investment. In the context of workforce reduction this may pull the company in different directions. On the one hand, workforce reduction may pull potential employees to hesitate in applying to jobs in the company because of the future risk of dismissals. On the other hand, investors may regard workforce reductions as an important signal for management’s ability to deal with financial losses or low profitability. Fourthly, there is the impact of shock and crisis, where there is a scandal, revelation, disaster, or loud and embarrassing protest. Fifthly, there is ethics, either in the form of the institutionalized values of business founders and leaders, codes of practice, or individual judgements.

Comparative studies often conclude that the employment protection and industrial relations systems among European countries are so divergent that there is no or at least limited scope for legislative harmonization (see for

example Van Peijpe, 1998). Therefore there have been efforts to stimulate a process of identifying and spreading best practices in the European context (European Commission, 1998). The general idea is that by identifying best practices or innovative examples of restructuring it may be possible to stimulate a learning process where social partners in different countries could share experience and learn from each other.

We believe this approach is limited. A comparison of supposedly objective, stable, and resolute features of restructuring practices, might serve to sanction a stereotypical notion of socially responsible restructuring practices as a norm for employer behaviour. Employers are encouraged to present their activities as examples of “best practice”, abstract representations concealing the complexities, the problems and the controversies involved in the process. It has been shown that such representations do not help the process of sharing experiences (Diedrich, 2004). Also, complying with the norms of best practice, simply imitating what has been abstractly identified as best will not be rewarded. Instead, it will result in a never-ending search for better practice since employers are only rewarded as being socially responsible if they go one step further than their rivals. At this point the concept of best practice becomes paradoxical. It presupposes that once the best practice is identified, everyone acts according to it, at the same time as the lack of reward for doing the same as everyone else is doing results in companies wanting to do things differently than the others. And, on top of everything, it may be argued that it is difficult for employers to take one step back without being regarded as socially *irresponsible*.

Therefore, in this paper we have tried to identify not the best practices, but the common problems that employers face in processes of restructuring across national borders. This, we argue, provides the basis for the formation of a European practice of corporate social responsibility? Hence, the main objectives of this paper is:

- To identify common features and problems of restructuring practices among firms in the European context.
- To identify issues for further research on corporate social responsibility and restructuring in the European context.

We will first discuss the common problems and strategies of restructuring. We then move on to identify a few common features of restructuring practices. Finally, we discuss the implications of the findings in a broader context. We find that the shapes and features of restructuring practices vary, but not always as a consequence of national differences, rather based on historical conditions and the process of innovation unfolding within firms.

Restructuring and anticipation

One of the most commonly mentioned problems regarding restructuring is the employers' transparency regarding decisions to restructure. This problem may of course be dependent on the employers' reason for restructuring¹. Independent of the reason for restructuring it is the management of the company who decides whether to initiate restructuring processes or not. However, legislation most often put restraints on employers, for example by requiring employers to declare the reasons for redundancy through negotiations with trade unions.

According to the French national overview, in order to appreciate the power of the employer and the limits of this power, one should distinguish the decision to make an employee redundant from the termination of the

¹ The concept restructuring refers to any form of structural adjustment, whether it concerns organisational structures, industry structures or economic/institutional structures. As such it differs from other similar concepts that are more or less limited to organizational levels, e.g. downsizing, transition or organizational change. Neither does it imply a direction, intention or implicit idea of what kind of change is taking place. It provides an opportunity to take a broader perspective of the phenomena. Restructuring is here used as a unifying concept for all types of adaptations that lead to the reduction of the number of workers, or relocation of work, etc. This may include downsizing, workforce reduction, plant closure, outsourcing or off-shoring (when plants are closed and jobs are moved to other countries). In most cases restructuring implies some form of transition or change on the individual level, most often a transition to another job, within or external to organizational boundaries. Thus, restructuring may be defined as a structural adjustment related to individual conditions.

labour contract. The choice of the employer cannot be questioned, and when the Social Modernisation Law attempted to change the definition of dismissal for economic reasons in 2002, the Constitutional Court censured the provision ruling that it interfered with the liberty of entrepreneurship. However, once the employee is made redundant, the judge does have the power to verify *ex post* the conformity of the dismissal with the legal texts. If the validity of the economic motive is not recognised, then the employer can be condemned.

In the Swedish employment protection, a sharp distinction is made between redundancy ('arbetsbrist', literally: lack of labour) and personal grounds (personliga skäl). In case of redundancy, the judgement of the employer is basically decisive. It is up to him to decide how many workers he wants to employ. Redundancies are too closely related to the managerial prerogative to allow for a strict judicial test. If the employer succeeds in convincing the court that dismissal was necessary, his case will usually be accepted, unless he has neglected his duty to transfer, i.e. to seek other employment for the worker within his enterprise. In rare cases, redundancies are not accepted by the Labour Court. Also, the employer has the obligation to try to prevent redundancies and he must account for the reasons for his economic decisions resulting in redundancies. Another important legislative arrangement in Sweden is the Co-determination Act, which obliges employers bound by collective agreements to consult the unions on all important changes in their enterprises or in the labour relations of their workers. The employer is required to present, in writing, the following information, as soon as the employer has called for consultation, i.e. at an early stage;

- The reason for the proposed dismissals,
- The number of employees who will be affected and their employment category
- The number of employees who are normally employed and the employment categories to which they belong,
- The planned duration of the dismissal process
- The method of calculating any compensation to be paid in conjunction with dismissals in addition to that which is required pursuant to applicable collective bargaining agreement.

An important issue is when the risk of redundancy is identified and how far ahead of time negotiations with trade unions take place. The time period between the identification of the risk of redundancy and the actual redundancy varies from case to case. However, it varies between organizations dependent on the employers' ability to anticipate their future situation. Thus, the problem of anticipation is partly dependent on the regulatory framework and to what extent employers are required to inform trade unions and employees about restructuring.

Based on the risk of redundancy, employers may consider several different restructuring strategies².

Natural transition is the most common form of workforce reduction. It implies the least interference and direct threats against employees. The strategy means to solve the redundancy problem by freezing all hiring activities or by stimulating internal mobility. It may also mean to freeze all prolongations of temporary contracts or to stimulate early retirement among older workers. It is also common to stimulate workers to take study leave, to try out other jobs or other forms of training.

Early restructuring, another strategy often includes active support measures, as in active labour market policy, but in this case organized and paid for by the employer. The purpose of such activities is to support workers to get a better understanding of their work situation and thereby resolving the redundancy by *voluntary solutions*. The early restructuring strategy is based on that redundancy is defined in terms of volume, but it is not defined in terms of who should be made redundant. Instead activities are directed towards the more or less voluntary choice of individuals to leave the organization.

Dismissal, as a strategy is more direct. It means to define redundancy and thereby transforming the risk of redundancy as a definite fact. The practice of

² This terminology is suggested by the Swedish job security council Trygghetsstiftelsen (Trygg i Omställning, 2002).

dismissal is regulated by labour law. In all countries there are rules concerning information and co-determination, rules for the selection of workers to dismiss, and rules regarding the employers responsibility after the termination of the contract (e.g. severance payments, dismissal periods, etc). While rules provided by labour law vary between countries, in practice there is one thing that all countries have in common: the employers' interest in avoiding or circumventing the rules and regulations. This interest explains much of the diversity in restructuring practices between countries. It also explains some of the common features of restructuring practices and the employers' choice of restructuring strategy.

The use of these restructuring strategies varies dependent on the situation of the company. *Natural transition* is most often used when a company goes through extensive structural changes or when there are expectations of long-term profitability problems. Natural transitions are of course not an option when plants are closed down or moved geographically. *Early restructuring* can be used in most situations, but depends on the time span and the possibility to anticipate future changes in the market. It may be argued that the ability to anticipate future changes varies between industries rather than national contexts. *Dismissals* is always a possible strategy, but is sometimes avoided due to the negative good will it produces for the employer.

The social partners may of course have different opinions concerning the choice of restructuring strategy. Natural transitions and early restructuring may have certain advantages for both employers and trade unions, primarily, because the alternative – dismissals – is often time consuming and highly controversial. However, natural transitions and early restructuring practices may also be rather costly and sometimes ineffective.

There are also important considerations when it comes to distribution of responsibility between employers and employees and whether transition to another job should be voluntary or imposed upon the workers. Maybe most importantly, the strategies have different ethical consequences. For example it may be difficult to balance the need to change the competence and age

structure of the company with the need to protect and support groups or individuals who are particularly vulnerable or have difficulties in finding another job in the labour market.

Independent of the chosen strategy the employer cannot freely decide whom to make redundant. In *dismissals* the employment protection legislation puts limits on the employer through the selection criteria provided by the law and in *natural transitions* and *early restructuring* are dependent on the voluntary choice of the individual. However, in Sweden, the semi-dispositivity of the employment protection legislation means that the trade union can, through negotiation of collective agreements, allow the employer to use other criteria for selection of individuals to be made redundant than required by law. This means that there are incentives for employers to negotiate with trade unions, not only the number of workers to be made redundant and the priority circles, but also the strategy used for restructuring.

I should be noted that the different strategies may be used simultaneously by the same organisation. Organizations may also use different strategies over time. However, in practice they share several common features.

Trends in restructuring practices

In our analysis of case studies we identified three common features or trends in restructuring practices: voluntary dismissals, and re-employment and support units.

Voluntary dismissal

Another common feature of restructuring practices is what we refer to as voluntary dismissal. The aim of such practices is to encourage and support individuals' voluntary choice to leave the organization. The general reason for

deploying such programs is to avoid the rules and regulations stipulated by labour law.

For example in Sweden, in order to avoid the problems associated to workforce reduction through seniority rules, employers offer generous severance payments and re-employment programs to employees who voluntarily choose to leave the organization.

Such programs are not only introduced as a way to avoid legislative requirements, they are also used because of their possible impact on the “survivors” reactions to restructuring, both in terms of perceived fairness and in terms of decreased feelings of guilt, since displaced workers have voluntarily chosen to leave the organization. It may be argued that by making dismissal an individual choice, the workers’ experience of uncertainty created by restructuring would be minimal. Instead of regarding leaving the organisation as a failure it has been suggested that it would be regarded as an opportunity, an advantage or as a challenge. However, there is always a risk that the employer loses employees who are crucial for the operations of the company. In most cases, however, employers tend to value the benefits of such solutions over the potential dangers. The first, and maybe most distinctive, program of this kind in Sweden was set up by Swedbank, one of the largest banks in the country.

Case example 2: Swedbank

The Swedbank is a result of a merger between two major savings banks in Sweden. Both banks had previous experience of large-scale workforce reduction programs in the early 1990s. In 1992 the banks had 19 000 employees in total. In 1998 they were down to 14 000. Even if pension programs were used, management experienced that they lost too many young and highly educated workers. This was regarded as a problem for the future profitability of the firm.

The reason for the merger was to elicit economies of scale in the production of services, utilise developments of new technology and to be more competitive in relation to the newly developed specialist retail banks. As a result of the merger the bank had overlapping bank offices in many locations in the country and it was argued that the competence and age structure of the workforce did not perfectly fit the conditions for the future. The aim was to create synergy effects amounting to 1.5 billion SEK. In the planning of the merger it was stated that the new bank needed to reduce the workforce with 3000 employees, while at the same time recruiting 800 new workers with the competence needed in the future. This was regarded as a way to deal with the unbalanced age structure of the firm. However, the problem was how to design a program that made it possible to reduce those workers who were not needed anymore

and retain those workers who was needed, from the company perspective. The only solution was to make dismissal an individual choice.

As a result of negotiations with social partners the Swedbank gave an offer to all 14 000 employees to voluntarily leave the bank and the banking sector in July 1997. Thus, not only the seniority principle was avoided, but also the guarantee to be re-employed if the company were hiring again within a year. The employer did not want employees to take jobs at the growing competitors. It was stated clearly that those who leave would get access to a generous program including severance pay for six months, individual counselling, job-search training, medical examination, networking meetings and a "European IT-drivers licence" in order to upgrade the individuals IT-skills. There were also generous opportunities to get bank loans for those who wanted to start a new business. Employees born 1941 or earlier were offered a voluntary early retirement program. The goal was that 1000 employees would accept the offer.

The offer was combined with an extensive information campaign. The aim was that the decision to leave the organisation should be a well informed choice based on relevant and realistic information concerning both the conditions in the future labour market and the future development of the bank. According to the employer, employees should know what it would mean to stay within the bank and what it would mean to leave. "If you are going to stay you need to understand and accept the future mission and vision of the bank", as the program manager expressed it. This meant to accept the new business logic, with customer focus, using new technology and developing new services and products. All this was captured in the slogan: "The new bank!" In order to support this decision-making process, managers were trained in developing a supportive dialogue with their employees.

The result of this extensive information campaign was that 1373 employees chose to leave the organisation. Those who left were put in what was called "the resource bank", an administrative support unit serving as the employer for workers during the extended dismissal period. In contrast to previous programs, the Resource bank was not organised as a physical development centre. Instead the Swedbank chose to let workers stay at home, largely because workers were spread out in all branches in the country. It would not have been cost effective to set up development centres in all cities affected by the reduction, the program manager argued. It was also regarded as offensive towards the remaining workers to let the workers leaving the organisation remain in the office during the dismissal period. The outcome of the program was regarded as successful. Only a few of the 1373 workers leaving the organisation was reported going to open unemployment.

However, this new approach did not stand without criticism, both internally and externally. Representatives of the bank estimated that of the 1373 workers leaving the organisation 5 % were employees that they rather wanted to stay. Furthermore, it was argued that, however well informed, the choice to leave the organisation was not always voluntary. In some workplaces it was reported that branch managers gave hints to some workers and not others that they should carefully consider the offer. However, in general the program was highly appreciated among workers and the image of Swedbank as a generous and socially responsible employer was spread in the public domain. As a result several employers tried to imitate this "new" model in their workforce reduction programs, see for example the work force reduction program of the Swedish national postal service – Posten Futurum – which may be regarded as one of the most successful restructuring programs in Sweden.³

³ The Postal service has reduced their workforce by 4000 people avoiding traditional redundancy procedures, providing generous readjustment programs to individuals and securing entry into new job opportunities with a success rate of 90 %. However, the Postal Service introduced an important addition to the concept in order to better control who was made redundant. According to the Postal service experiences from other companies showed the danger of providing general and too generous programs, since it could contribute to losing the employees that you wanted to retain and the other way around. As a response to this dilemma clear-cut selection criteria for those who were given the offer was set up. The basis was that the participant of the outplacement program was employed at a workplace where redundancy was identified. Furthermore, there were also particular criteria for age and level of

Several studies have tried to measure the extent to which workers have left their job voluntarily or if they were more or less forced to find another job. Studies of restructuring most often show that those who have a favourable position on the labour market leave early or find a job immediately. This relates to their skill level and the relative demand for their labour. It may also be related to whether their skills are firm specific or more generally applicable to other workplaces or industries.

Edström & Aronescu, (2004) found in an empirical study of voluntary displaced workers in Sweden that the voluntariness of work displacement had an important impact on the attitude towards their new job and the employer. The results showed that voluntary displaced workers used the relatively generous transition periods as a way to take a break in their working life, engage in family- and private aspects of life and that their choice of leaving their employment was related to an ambition to better combine the two perspectives of life. Job transition made it possible to balance the relationship between the different life spheres. Even if economic support was important to facilitate job transition it was regarded as an opportunity to find a new balance in their life situation. On the other hand, it may be questioned if the choice of leaving their employment was truly voluntary. To some extent they did not have a choice since it was clear that their workplace was to be closed in the future anyhow. Furthermore, several of the voluntarily displaced workers still valued traditional security factors such as income and employment security. Thus, the voluntariness or involuntariness of work displacement may be an important factor for how employees understand and make sense of restructuring on the individual level.

The most recent innovation in this field is to train managers in the support of their subordinates' career decisions and in encouraging them to eventually leave the organization voluntarily. However, the long-term effects of such

qualification of the worker. In particular priority would be given to low skilled and older workers. Thus, the program of the Postal Service differs from that of the Swedbank, since it more clearly determined the target group of the program.

programs are not well known. While it is argued that workers who leave voluntarily are better prepared when entering the labour market and that those who choose to stay are more committed to work, the extent to which these predictions actually materialize has not been studied. It may be argued that such practices not only change the conditions for workers re-employment, it may also imply a shift in the distribution of responsibility between employers and employees and changing attitude to work in the long-term (Bergström, 2001). The most recent example of such programs is that of Ericsson Microwave Systems in Mölndal⁴.

Case example 3: Ericsson Microwave Systems⁵

Ericsson Microwave Systems (EMW) is a high tech company which is highly dependent on military investments. As the Swedish defence has gone through extensive changes there have been expectations of significant changes in the demand for EMW products. In particular there was an expected shift towards more civil production. It was projected that this would incur changes in the composition and competence of employees. 55% of the employees in the company had a higher education. There was also a need for the development of new skills and a need to hire workers with new competences, while workers with obsolete skills were to be phased out. In order to solve this equation, in 2003, a competence shift program was introduced. The objective was that 200 workers would leave the company voluntarily. However, during the course of the program the conditions were changed and in December 2004 around 500 workers had left the company and 100 people were newly recruited. In total the number of workers was reduced from 2000 to around 1600 people. The company had the vision to be “a company with the right dimensions, with right people on the right place and on the right time”. In the competence shift program the reduction of workers was to be made voluntarily, without using notice of dismissal according to the law.

The Process

In the beginning of 2004 all employees were informed regarding the changing situation of the company. They were also informed about the alternatives available for those who chose to leave the company and that the decision to stay or to leave had to be made before the end of August 2004. During this period the idea was that the employees should reflect on their own situation and the situation of the company. To support this reflection employees were offered eight coaching conversations with their closest superior. The role of managers was put in focus, because the situation was regarded as putting new demands on a leadership style that was coaching rather than directive in relation to employees.

⁴ Ericsson Microwave Systems was the 1st of September 2006 taken over by the Saab group and is since then called Saab Microwave Systems.

⁵ This example is based on interviews with Annica Fornäs, HR Director at Ericsson Microwave Systems and a case study by Emma Gustavsson and Sara Johansson, (2004).

EMW decided that managers should coach employees to make up their mind about the future. As a preparation for the coming coaching the company used the outplacement company Right Consultants to train managers in a coaching leadership style. Managers were trained during two days in three stages. The first stage was concerned with understanding change. The second was to learn how to provide feed-back and the third was an introduction into coaching leadership. During the process managers had the opportunity to go through coaching themselves. The purpose of coaching managers was to support them in their meetings with employees. Coaching was described as an approach to leadership which means that employees make their own choices. It also means that one should assume that employees are grown up, mature, capable and responsible for their own choices. Coaching meetings should not have predetermined outcome or agenda, but it is nevertheless a meeting with a goal: to support the individuals decision making. It was emphasized that managers should not point out any employee. To support Managers they were provided with a conversation guideline, a number of information brochures and the collective agreement.

According to the conversation guideline managers should hold eight meetings with each employee in order to identify the individual's expectations of the future. Each meeting should take around an hour. The first two conversations covered the business situation of the company, employability, competence needs, the future and the employability of the employee. The following six conversations should deal with how the individual regards his/her future. The basis for these conversations was worklife balance, objectives and purpose and help to achieve "what you want to do". All eight meetings were held between January and May 2004. After that each individual set up an action plan. The action plan was to be completed in august 2004. It consisted of the conclusions of the previous conversations and the individual's choice for the future. Thus, the third step implied that the employees made a decision to stay or to leave the company.

Results

Around 400 employees chose to leave the company. 60 employees were offered early retirement and 42 accepted it. Among the employees leaving the company 18 were regarded as "key contributors" (some of them were put in a 2 year quarantine, i.e. agreements were made so that they could not start up their own competing businesses or sell back their labour as consultants.) Those who left the company were offered a 12 month program with full salary and preparation to take another job. Management estimated that the average cost of the program was 25% lower than if traditional dismissal procedures would have been used.

Concluding reflections

A possible effect of the program may be that the management training means that the company had a stronger position after the restructuring was made. Managers were more attentive to employees and those who stayed in the company had made so by an active choice. Another important aspect of the program was the reduction of lead time. The coaching of employees towards an action plan, means that employees' preparation for a new situation starts a long time before they actually leave the organisation. They already have a plan of what to do when they start their dismissal period. It should also be noted that the trade union took an active role in this program. There were never negotiations between the employer and trade union representatives. Instead they had common meetings and co-operation to inform each other in each stage of the process. Trade union first believed that there was a hidden agenda, but in general the relationship turned out quite well. Trade unions were asked to listen

carefully to employees and bring up any issues or concerns immediately rather than wait until the end.

Re-employment and support units

In most case studies there are examples of some form of re-employment unit, support unit or employment centre. The general idea is to separate the individual from his previous workplace to enable more focus on the process to find new jobs and to separate them from the survivors. Even though survivors prefer their own positions to those of displaced workers, they may have feelings of guilt for surviving or envy those who leave the organization since they are offered beneficial conditions. This perception may lead them to question the organization's fairness and possibly have expectations of similar benefits at a later stage. Furthermore, the reward inequality often associated with restructuring may also create conflicts between survivors and victims, particularly if the displaced workers are not immediately detached from the workplace. Several studies suggest that the longer the displaced workers stay in the workplace the more problems of conflict between survivors and victims. Thus, restructuring may directly or indirectly, affect the co-worker relationships in the workplace.

To avoid such effects several firms have been careful to detach the displaced workers from the workplace as soon as possible after dismissal. Re-employment centres have been set up, where displaced workers are provided the support needed to find a new job, job search databases, training, counselling, computers, copy machines and other administrative services. These re-employment centres also provide social support in terms of opportunities to meet other individuals in the same situation.

There are several reasons why companies set up re-employment units. In several countries, e.g. France and Germany, employers are obliged to set up a social plan. In Sweden this is not the case. Instead re-employment units are

negotiated through collective agreement and is generally set up in exchange for a possibility to use other selection criteria for dismissals than required by labour law. However, firms do not explicitly refer to the avoidance of the employment protection legislation when they describe their reasons for implementing such programs. Instead they refer to discourses relating to corporate social responsibility. Four reasons may be identified:

- *Moral and ethical reasons:* Employers often refer to their obligations to “faithful old servants”. If workers have been loyal and offered their labour for twenty-five years employers often refer to that they cannot only be dismissed without compensation. It is also argued that a generous treatment of dismissed employees has motivational effects on remaining employees, so called survivors.
- *Image reasons:* Re-employment programs are initiated because of the possible image effects in the labour market. Employer representatives argue that dismissals produce bad will in society in general and among potential new recruits. It is therefore regarded important to produce an image of being a socially responsible employer in order to be able to attract new workers in the future.
- *Economic reasons:* Re-employment programs are described as financially beneficial, both for the firm and for the society in general. It is argued that re-employment programs are less costly than dismissals according to labour law or active labour market policies organised by government.
- *Efficiency reasons:* Re-employment programs are also described as effective for the worker. It is argued that they support individuals’ transition to a new job more effectively and when combined with training and self-development programs would facilitate worker employability and readiness for adjustment in the long-term.

Even if employers engage in efforts to evaluate these predicted effects, none of these effects are easily assessed. For example it is difficult to determine whether a job was found because of the program or because of the local

labour market conditions, the initiative, competence or personal networks of the worker. The worker may have found the job without the generous support of the employer and the programs may have caused inactivity delaying the transition to a new job rather than the opposite. Furthermore, it is unclear whether re-employment programs have the predicted motivational effects on remaining workers. Instead generous programs may cause expectations among workers to receive similar benefits in the future. In particular this is the case when generous pension programs have been offered workers older than fifty-five years old. Thus, these models may not only be understood according to their predicted effects, rather by their symbolic or legitimizing functions, supporting organizational identities as socially responsible.

Organizing re-employment units

The organization of re-employment units varies from case to case. However, a number of common dimensions may be identified:

Conditions for entry: A common question arises concerning the conditions for individuals to enter a re-employment program. Is the individual still employed when entering a replacement program or is he/she already dismissed? In the case studies analyzed we find several different perspectives on this problem. In the TeliaSonera case, for example, we found that the individuals who entered the re-employment program were still employed by their former business unit. Redundant workers had the possibility to return to their former workplace, in case a suitable job was found at their old workplace. At Ericsson and the Swedish Post, on the other hand, employees were dismissed from their former workplace and signed a new contract when entering the re-employment unit, meaning that they were employed at the re-employment unit. This was regarded as a way to stimulate redundant workers to search for a new job more intensively. An excerpt from the Ericsson case study illustrates this in further detail:

CASE EXAMPLE 4: ERICSSON AB

When negotiations were concluded local managers at Ericsson AB held a meeting with each individual who were earmarked for dismissal. The meeting was referred to as "the difficult conversation". In this meeting managers were to give notice to the employees that they were selected for dismissal. This was sometimes a difficult task for managers who had never experienced such situations before. They were not used to talk to employees in that way. HR-representatives emphasized the importance of not letting people alone after notice of dismissals had been given. After the "difficult conversation" the dismissed individual had to sign a dismissal form. The dismissal form was a confirmation that the employee had received the notice of dismissal. The form contains information about the conditions for dismissal. According to Swedish labour law dismissed individuals, before everyone else, have the right to return to the workplace if the employer decides to hire workers again. In the case under discussion here the right of precedence was exchanged for more generous re-employment packages. However, not all employees accepted the resigning of their right of precedence. In that case the employer representatives informed the employees that they were not eligible for the re-employment package.

According to the employer representatives in this particular case the choice not to resign ones right of precedence on the part of the employees had more to do with issues of principle than a sound analysis of advantages and disadvantages with keeping this right as compared to taking the more generous re-employment package. Many of the people had worked at Ericsson for a long time, and for many the company had been their only employer. They simply could not imagine ever working for a different organization. As they were dismissed their only mission was to find another job within Ericsson. For that they wanted to keep their right of precedence. Changing this understanding of Ericsson as the only imaginable employer for many of the dismissed persons became a more and more important part of the work of the employer representatives, and especially those working at a later stage with the re-employment program.

After the meeting between the manager and the signing of the dismissal form the dismissed person enters into a new phase. The individual worker who used to be an employee is now transferred to the re-employment unit. But before entering into the re-employment program he/she has to make a choice. There is another form to sign. The dismissed worker had to make a choice of what to do in the coming year.

The participants had four options to choose from: severance payment, early retirement, normal dismissal or enrolment and participation in a career change program. After having been served their notice of dismissal, employees had two weeks time during which to make their decision on which alternative to choose.

Those employees who chose to sign up for the career change program were transferred to the so-called *Forum of the Future Unit* where they, for a period of up to 12 months had the possibility to engage in a variety of activities aimed at helping them to find new employment. They were allowed to remain there for a maximum of 12 months. The 12 months were an extension of the dismissal period of 6-9 months as stipulated by the Swedish law.

The re-employment unit

The re-employment program was organised as a project. With one person responsible for the daily running of the program, two other people hired from different parts of the Ericsson organisation and four assistants from a temporary work agency in order to assist her in administrating the program. The program was referred to as an "organizational change project", because it resulted in the establishment of a new unit at Ericsson.

The re-employment unit was located in an office building close to the company's HQ in Kista, just outside of Stockholm. The building was to serve as a physical space where the dismissed workers could go, while they were searching for a new job. The choice to

transfer the participants in the program from their old workplaces to the re-employment unit was a conscious one according to our interlocutors. One of the administrators explained:

We have said that it is not a good idea to mix dismissed employees with those who remain in the organisation; that is something we have learned. A dismissed employee should not have to linger on with his or her old colleagues. That person should be moved to a different place. There are a number of reasons for this: first of all, this makes it clear to the person that he or she has actually left the normal organisation. Secondly, there were also many people who thought that having been dismissed was a terrible fate to be suffered...they felt very bad, had feelings of guilt and placed a lot of blame on themselves; and in this situation they were not capable of seeing their old colleagues. Even the old colleagues experienced the whole situation as difficult, because they also felt guilty, because they had not been dismissed. Why am I still in the organisation, when my colleague who has worked here much longer than me was dismissed? So, especially during the first wave of dismissals there were a lot of these sorts of feelings that we did not really take care of all that well. But we did sit physically in a different building. (Interview, 050602:4)

Apart from separating the dismissed employees from the ones who were retained in the organisation in order to indicate to them in no uncertain terms that they were on their way out of the Ericsson organisation, the participants in the program were themselves divided up. The managers in the group were transferred to a different location in Solna. The reason for this was that the administrators felt that it might be problematic if managers and their former subordinates intermingled in the program. Some employees might display a certain degree of animosity towards their former bosses, and the managers in turn could find it problematic to suddenly be thrown into the same pot with people formally subordinated to them. Most problematic was the fact that some of the managers who had been dismissed, previously had had to dismiss some employees under their responsibility. To put them all into one and the same program under the same roof would send "the wrong signals" according to one of the administrators.

Three floors in the building were allocated for the re-employment unit. The open-plan offices provided room for hundreds of participants at the same time. The offices were furnished with desks and computers and every workstation basically looked the same. Participants did not have their own personal workstation and instead had to make do with whatever place they could find when they arrived in the mornings. The open-plan offices were complemented by a small number of private offices. These could be used by the participants who decided to open their own businesses and needed some privacy in order to conduct their business dealings.

One of the ideas underlying the program was that the participants "were without work, but not without employment", as the project manager put it. They were physically removed from their workplace and the Ericsson organisation in general, in order to prevent them from having to face their colleagues who retained their old jobs and in order to signal to them that they were on their way out of the organisation – although still being employed by it. Removing them physically from their workplace was one way for Ericsson to provide the dismissed persons with a clear message, something that according to the head of the unit, was of utmost importance if the re-employment program was to succeed. According to the unit manager, sending an unclear message could easily result in the participants becoming lethargic. A person who does not know if she is *in* or *out* might not be as motivated to search for a new job compared to someone who has been told in no uncertain terms that he will soon be unemployed. Unclear messages might also stir up the unfounded hope in the participants that they eventually will remain in the organization – that Ericsson will take them back eventually.

As the participants joined the program they retained their employment benefits. They retained their mobile phones for example, as well as their access to the Ericsson Outlook system. Employees in possession of a company car were able to keep them

during their participation in the re-employment program. For the project manager this circumstance contributed to sending an unclear message to the participants. In the ensuing programs the benefits were subsequently reduced or exchanged for solutions that made the break with their old work situation more noticeable.

Compensation and time: Another consideration regarding the organization of re-employment programs is the length of the program and the compensation offered to the redundant workers. In most countries the law sets standards of dismissal periods and severance payments. In many cases extended dismissal periods and severance payments are negotiated in collective agreements. In Sweden the length of re-employment programs offered by employers vary between 6 and 36 months. However, there are different views regarding how long such programs should be and how much severance payments should be offered to redundant workers. At least three different types of considerations may be identified.

- *Damage compensation:* Maybe the most common perspective is to regard the transition period as a compensation for the suffering that the individual goes through during the period of transition. Thus, the level of compensation (calculated in monthly salaries) is equivalent in relation to the degree of psychological suffering. This perspective is based on a theory of dismissal as being personal crisis and is often used in situations when there are very few job opportunities in the labour market.
- *Golden handshake:* A similar perspective is that the transition period is regarded as a compensation (a golden handshake) for the efforts the individual has made during his/her employment in the company. The longer tenure the higher the compensation. This is based upon a particular assumption of the employment relationship, as an exchange relationship, where the employee gives up some freedom and effort in exchange for some future stability of income when the employer, one-sidedly, resumes his part of the contract.

- *Re-employment time:* It should be noted that the level of compensation is often calculated in months, because they are based on assumptions of how it is paid out on a monthly basis to those who are dismissed. Considerations regarding compensation packages are therefore often expressed in terms of how many months the redundant workers have at their disposal. The re-employment time is one of the most controversial issues in the design of restructuring programs. On the one hand, there is an interest from trade union representatives to provide workers with as long transition periods as possible. This is to ensure that the individual finds a job that matches his or her skills, interests and capabilities. The new job should also be equivalent to his or her old job, both in terms of compensation and working conditions. On the other hand, the employer has an interest in ensuring that the transition period is as short as possible, in order to reduce the cost of redundancies and avoid opportunistic behaviour among former employees. It has been argued that long re-employment programs puts individuals in long periods of passivity and personal crisis, which then would exacerbate further problems to find new jobs. However, the time it takes for a person to find a new job varies between individuals dependent, not only on their skills and capabilities, but also on their own efforts to find a new job. Therefore re-employment programs are often complemented with job search activities or training programs to speed up the re-employment process. In some cases the employer offers a “speed bonus” of around €5000 to individuals who have found a job within 4-5 months. Thus, there are no definite answers to this question. An emerging trend is that the transition period should match the average time it takes for a person to find a new job. The general experience from several Swedish companies is that about 80 percent of the redundant workers find a new job after 9 months in a re-employment program.

The kind of services provided: An important question to consider is what services or activities to provide in a re-employment unit. The activities could be categorised in four different types.

Type	Purpose	Example
Rehabilitating	To restore the working capacity of the dismissed person	E.g. Health rehabilitation Drug abuse
Activating	To activate the dismissed person in job search activities	Coaching Career counselling Job search training
Coping	To cope with the situation of being dismissed	Spiritual guidance Counselling Crisis treatment
Training and Upgrading	To upgrade the individuals competence in order to be able to take particular jobs	Vocational training Validation of experiences

There is some uncertainty regarding the effectiveness of re-employment activities. It is difficult to know what works and what does not work, i.e. whether the activities will lead to individuals finding a new job or not. Another problem is when and how the effectiveness of re-employment services should be evaluated. Here a question arises concerning what it means to be re-employed. Does it simply mean to have a new employment contract or does it mean to have an equivalent job compared to the previous conditions in terms of compensation, benefits, status, work tasks, etc?

There is also a problem of resources. Since workforce reduction often takes place when the company has problems of profitability it means that resources to care for dismissed workers are limited. Dismissed workers are put against those who stay in the organization. It is easy for the employer to say that it is more important to care for the future of the organisation. How much resources should the employer devote to re-employment activities and what resources are available from other actors, such as the public employment services, the job-security councils in Sweden, etc?

Training and Upskilling

Training is probably one of the most common instruments to support workers' employability in the labour market. The most common problem in this field is that training of workers is most often too late, too costly and too ineffective. Workers are provided training after they have been dismissed and training is not always adjusted to the workers' interests and future career prospects. This problem has to do with the employers' responsibility to provide training for workers in the workplace. Does the employer have a responsibility for providing training beyond the scope of what is necessary to perform the current work activities of the company? If so, who should pay for it and who should decide upon what kind of training the individual should go through? This creates further problems. Since the effectiveness of training is highly related to the individuals' motivation to go through training programs, the individual should have a possibility to decide upon what kind of training he/she should go through.

At least two different types of training strategies related to restructuring may be identified: precautionary and preventive. *Precautionary training* is used to make sure that workers have the skills necessary to perform current work activities. The general idea is that if workers have the right skills and competencies the company will perform better in general and thereby reduce the risk of having to go through restructuring. *Preventive training*, on the other hand, is more concerned with preparing the workers for the situation of being made redundant to enhance their chances to get a new job. Such training may be both upgrading and broadening of previous skills or competencies.

The novelty in this field concerns the way individual workers are provided with incentives to go through training. One case in point is Lloyds TSB in Great Britain.

Case example 1: Training bonds, Lloyds TSB in Great Britain

Lloyds TSB is a Group of companies formed through the merger of Lloyds Bank and TSB in 1995. On 30 October, 2003 the bank announced the intention to close its call centre in Newcastle and move the work to Mumbai, India. The closure put 960 jobs at

risk. An agreement was reached between Lloyds TSB and the union (Unifi) in 2004. The agreement focused on job security and upskilling against the backdrop of offshoring activities undertaken by the bank. Lloyds TSB promised, taking into account the personal situation of person affected by the offshoring or those who might be affected in the future, to offer a job to anyone wishing to remain in the employment of the Group.

Furthermore, training provisions formed an important part of the resourcing plans for dealing with the effects of offshoring. The aim was to optimise the use of time prior to the jobs ceasing in order to build up the skills of the employees in order to take on a new job within the Group or at another company. Lloyds TSB offered a training bond of up to £2000 to any member of staff who left the company on redundancy as a consequence of offshoring. The objective was to enable individuals to develop a career somewhere else.

It was debatable whether £2000 is an adequate amount when it comes to the upgrading of skills, and the Group remained open to the idea of reviewing it in the future.

At Lloyds TSB, focus rested on increasing the employability of so-called “non-traditional” learners – workers who have not necessarily had a lot of formal learning experience. The learning bonds gave them the opportunity to enrol for courses at the local colleges and thereby improve their basic skills or build on their existing ones.

The training bonds may be regarded as a form of financial solution to the problem of individual transition in the labour market. A similar solution was developed by the Swedish insurance company Skandia.

Case example 2: Competence Insurance, Skandia in Sweden

In 1996 the Swedish insurance company Skandia introduced what they called a “competence insurance”. In general the competence insurance was based on a criticism of employer sponsored training as a means to solve individuals transition problems in the labour market. It was argued that the need for competence shift of the Swedish labour force was so severe that short training programs would not help to solve the employability problem for workers. Instead, to support employability, opportunities for longer training or higher education would be needed. This required financial resources. Furthermore, it was argued that training would not be effective unless workers were motivated to do it and had an opportunity to influence what kind of training to go through. Skandia argued that a new way of thinking was needed in order to create a demand for training.

As a solution to these problems the competence insurance was introduced. It was based on the idea of co-financing the training of workers to increase their employability. The financial model implied that the individual employee accept to withdraw 5 percent of their salary to a savings account. These resources would be used at a later stage to finance the salary of the individual while he or she would go through longer training or education programs. The employer agreed to provide the same amount of resources as saved by the individual. The individual worker was supposed to be free to choose the type of training that suited his or her interest. This was said to enable workers proactive involvement in their adjustment to changes in the labour market, to take more responsibility and to prepare them in case of a threat of dismissal.

However, the competence insurance introduced by Skandia was not very successful. The most important criticism was that the insurance solution was in contrast to the principle that the employer should be responsible for training and development in the workplace and should thus contribute with the needed financial resources. Resistance came from different directions, but above all from trade unions organising lower skilled workers. It was argued that low skilled workers did not have the resources available to dispense with income to invest in future training. Furthermore, it was argued that the program may be good for younger employees, but not for older workers. Thus, the program did not seem to deal with the main problems of adjustment in the labour market. As a response Skandia agreed to change the program to provide more beneficial conditions for the more exposed groups. However, the use of the competence insurance was limited to workers at Skandia and a few organisations buying the concept from Skandia, for example Bonniers a major publishing firm.

Lately there have been suggestions to extend this model to cover all employers and workers in the labour market. The major driver in this discussion was the government who wanted the social partners to sign a general agreement on workforce adjustment covering all workers in the labour market. The general idea was to develop a system where individuals could put money in a savings account to use for training in the future. This was to be facilitated by allowing individuals to reduce taxes for such savings (SOU 2000:51). These suggestions have not yet been accepted by the parliament.

Validation of Knowledge and Skills

Another problem surfacing when analysing the cases in more detail is that dismissed workers are not able to find jobs because their skills and experiences are not formally recognized. This problem seems to be common across national borders and institutional settings. However, it is possible to identify different approaches to solving this problem in the different European countries. The important differences lie in who is assumed to be responsible for providing training opportunities as well as the possibility of having ones knowledge and skills acknowledged.

In France, for example, laws were passed in 2002 on the “recognition of work derived experience” placing the responsibility in the hands of the state. The state affords every employee the right to have his or her work derived experience recognised by means of a national diploma. The criticism levelled against the French system is that it is a top down approach and that the employers are often left out of the equation. They have little to do with what was delivered in the schools and colleges. In contrast to the French system, the UK Learning Fund and the Sector Skills Councils, though supported by

the government, place the responsibility for organising training etc. activities in the hands of the trade unions.

In Sweden, a bottom-up approach for the validation of an individual's skills and knowledge is currently developed by the Validation centre in Göteborg. Though supported by government, the responsibility for creating a system for the acknowledging of skills and knowledge rests with the social partners and regional authorities. Companies such as Volvo have been active in supporting local actors such as the Validation centre in Gothenburg in their work with establishing methods and tools for validating knowledge and skills. As a consequence, occupational groups within the company, such as welders, received so-called competence profiles. The benefit of such a system of validation is that it is adjusted to the local conditions in which it is supposed to take place. The disadvantage is however that the skills and experiences are only locally recognized and not generally acknowledged in the labour market.

Externalization: Comparison of case studies show that re-employment units vary in degree of externalization. In Sweden it is common that the employer sets up a re-employment unit, while, in Germany the re-employment units are set up by so called transfer companies (see for example the case of St. Gobain restructuring in Gelsenkirchen, Germany), which are organized by a separate body in co-operation with the public employment services. In Belgium on the other hand the re-employment units are set up solely by the public employment services. But there are also examples of Labour Mobility Programs set up by employer groups.

In Belgium legislation was passed in 2000 enabling firms to conjointly set up a legally independent organization in form of an economic interest grouping aimed at providing labour to the member firms on an as-needed basis. As yet, employer's pools are limited to giving only unemployed persons a new start due to the statutory prohibition on provision of labour still the hallmark of Belgian labour law. The law stipulates that employees

must be hired on full-time unlimited contracts and thereby gives more stability and security to temporary, seasonal or part-time jobs.

Case example 1: Agrijob in Belgium

Agrijob is an employer group that was created in 1998 at the initiative of the Walloon authorities with the aim of integrating its underprivileged population groups socially and occupationally. The group was created by six SMEs in the farming industry, located up to 100 km apart from one another throughout the province of Hainaut. By taking part in the Agrijob project, the farming businesses satisfied their main requirement: to have on-demand access to the well-trained staff, even if this demand concerned only a few months of the year. The six SMEs got together with the aim of hiring and sharing a common labour force. Their association received the legal status of an SCRL (Limited liability cooperative company under Belgian law). This was recommended by advisors to enable the employer group to hire staff on their own and to benefit from registration with the ONSS (National Office of Social Security).

Job-pool arrangements similar to the Belgian “employer groups” exist also in France. However, unlike in Belgium, there is no statutory requirement as to the type of contract under which workers must be employed. In Germany, partners do not set up an independent legal entity to employ workers and lend them out to members.

Case example 2: Kooperationsinitiative Maschinenbau (KIM) in Germany

The objective of the KIM-labour pool was to stabilise employment in the Braunschweig region whilst increasing the personnel flexibility of the associated companies. One of the organisations within the KIM network was Lanico, a medium-sized firm producing machines for the canning industry. Founded in 1919 it employed 150 persons and had an annual turnover of 20 million Euros. Lanico’s workforce fluctuated considerably depending on the volume of orders. This, combined with the fact that the company’s products were exposed to strong seasonal variations – Lanico’s biggest work load occurred from September to December – meant that the company had to be flexible with regards to its workforce. In the past it had solved this problem through staff reductions and short-time work. Lanico became interested in the labour pool, in particular in companies with similar job profiles in manufacturing activities with different order cycles. Eventually Lanico was able through the KIM network to adapt their staff requirements by cooperating with a harvest machine producer within the network. A regular staff exchange on a seasonal basis was established between the two companies. Lanico’s managing director explained the advantages of the cooperation: “From our point of view agricultural machinery producers have ideal production cycles, because after the beetroot harvest they don’t receive any more orders”. The production requirements of the two companies were completely anti-cyclical and, although they established new partnerships with other firms in the network, they remained one another’s most important pooling partner.

We can see a trend towards greater externalization of re-employment units, i.e. re-employment units are organized by external actors, for example outplacement agencies or the public employment services. In Sweden the job-security councils provide re-employment units as a part of a collective agreement between trade unions and employers.

Case example: Trygghetsrådet (TRR):

TRR's history can be traced back to 1973. It was the first job security council to be established; the outcome of an agreement signed between the *Swedish Employers' Association* (SAF) and the *Federation of Salaried Employees in Industry and Services* (PTK). The main idea behind the agreement was that both partners wanted to give the white-collar employees of the private sector "something extra" compared with the various educational and retraining schemes organised and financed by the government through the PES, which had proved insufficient in meeting the special needs of white-collar employees.

The extra service that the partners eventually agreed upon was constituted on the one hand by an added financial support structure, the so-called *Avgångsersättningen* (severance pay) or AGE, and on the other hand by a support structure aimed at helping dismissed white-collar employees to find new employment opportunities (*omställningsstöd*).

TRR also offers the so-called Early Risk Service (*Tidig risk tjänst*), intended as an anticipatory measure focused on career planning and directed at companies and employees that in one way or another may be affected by redundancies. Through various activities such as personal consultations, professional support in the personal development process, career planning, the setting up of goals and an activity plan and in conjunction with TRR's in-house recruitment service, the aim is to better prepare employees for possible future dismissals. It is not required for the individuals participating in these activities to be earmarked for dismissal. On the contrary, the service is intended to be used before redundancies are defined in terms of individual employees. The idea behind Early Risk is to provide competence development activities for employees and thereby strengthen their competitive advantage on the labour market independent of whether they remain employed at the company in question or not.

Continuity: Another consideration is the extent to which re-employment units should be organized as a temporary project or as a permanent organization. Most often re-employment units are organized as a temporary project. The temporality of such organizations is based on the idea that workforce reduction is a single event, something the organization has to do only once in order to solve a temporary problem. This provides another kind of problem of organising, not related to the transition of individuals to a new solution, but related to the problem of implementation. It often means that the

employer does this for the first time, or at least the individuals responsible for managing the process have limited experiences of managing such projects. Our studies of restructuring in the Swedish context shows that restructuring has been a continuous activity and as a consequence several firms have established permanent support units to support employees' transition to new or different work tasks, internally or externally. The most developed such organization is run by TeliaSonera. There are also such examples at the Swedish Postal Service and at Vattenfall. The reason for this permanence of support units is that restructuring is regarded as a problem that employers have to deal with continuously. At Telia there is a department of 10 experts providing advice concerning restructuring issues when there is a need for specific programs in the organization. These organizations work as the firms' "collective memory", putting all the experience of previous re-employment programs together in a complete package that could be used whenever restructuring problems arise.

Concluding reflections

This paper has tried to describe the complex reality of restructuring in the European context. In many ways the practices of restructuring are similar between countries. Employers choose between similar strategies of restructuring and the practice of workforce reduction changes in similar directions, towards more proactive measures, voluntary dismissals and the organization of re-employment programs.

There are several features that are unique for each country and/or the specific conditions of the company that go through such processes. Indeed, the specific character of the institutional context problematizes the ambition to spread practices to other countries. The restructuring practices of firms are historically, institutionally and contextually embedded. This element of contextual stickiness must be taken into consideration and with it the realization that what is innovative in one context is not necessarily innovative in another. However, the national differences should not be exaggerated. Not

because they do not exist in reality, but because they provide actors (not only employers) with arguments to reject innovations developed in another country.

In this paper we have tried to identify, not “best practice”, but rather the commonalities between practices and the common problems dealt with by employers in a European context. The purpose is to overcome the notion of national differences. The analysis shows that employers face similar problems of restructuring across national borders. The shapes and features of restructuring practices vary, but not always as a consequence of national differences, rather based on historical conditions and the process of innovation unfolding within firms. Restructuring practices are negotiated and adjusted to the local conditions of the companies and, as the case studies of Vattenfall and TeliaSonera shows, practices are also developed over time.

Thus, the study illustrates the limitations and difficulties to identify “the best practice” among these restructuring practices. Rather than developing one best model to be implemented in practice, actors engage in a process of imitation and translation of methods to local practice. Re-employment programs developed over time and adjusted to the particular needs of the firms. Previous experiences of workforce reduction were used as a basis for developing new programs. Criticism raised by workers, trade union representatives and managers was received and translated into directives for new programs.

Since restructuring practices develop over time in each company, through a process of reflection, critical evaluation and learning, the question is not what features and experiences may be transferred, copied or imitated, rather how such processes of reflection and learning may be stimulated. Multinational corporations have a particular role to play in this context. Since large multinational companies conduct restructuring in several countries, the experience developed in these corporations are crucial for the development of a common European restructuring practice. Thus, instead of changing the legislation to enforce socially responsible workforce reduction or searching

for the best practice, attention should be paid to the processes, which allow corporations to share experiences and reflect upon their own practices. This means to focus on how innovation takes place rather than on what is innovative.

This provides important challenges for future research regarding socially responsible restructuring. An important issue is how researchers should go about studying and explaining the developments that these practices are likely to generate. Because the effects of restructuring practices on displaced workers are most evident in the long-term, the researcher's best bet is to ground theories of the implications of a practice on an empirical understanding of how the restructuring practices are actually developed. Had researchers initially examined how and when organizations develop restructuring practices rather than attempt to evaluate the short term effects from conceptions of what the restructuring practices might generate, it may have been discovered that socially responsible restructuring expands rather than substitutes the institutional arrangements provided by the state through labour market policy. Similarly, by studying why organizations take social responsibility and how restructuring practices are developed in the first place, researchers might have concluded that institutional and legal constraints were better predictors of the development of socially responsible restructuring practices than the expectations presented in most literature. This approach pays attention to how local actors make sense of labour market institutions, while at the same time acknowledges how actors contribute to modifying, changing and establishing new institutions through processes of negotiation.

We know almost nothing about how restructuring practices affect labour market institutions. More important than the mere existence of innovative restructuring practices is the local adjustments that these practices create. For example, the practice of workforce reduction is regulated in labour law, while at the same time employers set up practices, so called in-house flexibilities (Esping-Andersen, 2000), to avoid or circumvent restrictions in labour law. Such practices may be institutionalised in the long term and, thus,

complement, challenge or undermine the already established institutional framework. To study how members of organizations understand their situation, manage restructuring, imitate other organizations and avoid legislative restrictions, would yield insights into the dynamics of restructuring that are not bound by images drawn from normative theories and models of restructuring. Furthermore, focusing more attention on how social partners interact and negotiate would open researchers to exploring how the social context in which work is embedded shape the meaning of restructuring. Focusing on the processes of negotiation may highlight changes in the meaning of restructuring, rather than changes in their effects, i.e. whether one practice is more effective than the other or more or less socially responsible or innovative. This would also bring issues of power into sharper focus and perhaps lead researchers to study relatively neglected issues of when and how restructuring are developed as a consequence of power relationships between social partners rather than their effects in the labour market for those workers who are displaced.

The way restructuring is practiced is likely to determine the role and impact of labour law. These changes may be both structural and normative. Until we understand the character of these changes, we cannot fully understand the social implications of socially responsible restructuring practices. For instance, if collective agreements allow employers to use other criteria for selecting workers for dismissal than required by labour law, then the norms and behaviours they support may have consequences for the role of labour market institutions. Such a development represents a significant change in the conditions for labour market policy.

References

- Bergström, O. (2001) Externalization of Employees, Thinking about going somewhere else, *International Journal of Human Resource Management*, 12:3 May 2001, 373-388.
- Cascio, W. F. (2005) Strategies for responsible restructuring, *Academy of Management Executive*, Vol. 19, No.4.
- Davies, R. (2003) The business community: Social responsibility and corporate values, in: Dunning, J.H. (ed) *Making Globalization Good, The Moral Challenges of Global Capitalism*, Oxford: Oxford University Press.
- Diedrich, A. (2004) *Engineering Knowledge. How Engineers and Managers Practice Knowledge Management*. Göteborg: BAS.
- Edström, A. & Aronescu, D. (2004) Omställning till nytt arbete – en studie av Posten Futurum, GRI-rapport 2004:11, Handelshögskolan vid Göteborgs Universitet, Göteborg.
- Esping-Andersen, G. (2000) 'Who is Harmed by Labour Market Regulations? Quantitative Evidence', in: Esping-Andersen, G. & Regini, M. (eds), *Why Deregulate Labour Markets?*, Oxford: Oxford University Press.
- European Commission (1998) *Managing Change, High-level group on economic and social implications of industrial change*, Employment and Social Affairs, Industrial Relations and Industrial Change, Luxembourg.
- Segal, J.P., Sobczak, A. & Triomphe, C.E. (2003) *Corporate Social Responsibility and Working Conditions*, Dublin: European Foundation for the Improvement of Living and Working Conditions.
- Van Peijpe, T. (1998) *Employment protection under strain (Sweden, Denmark, The Netherlands)*. The Hague: Kluwer Law International.