



**EPSU analysis of Impact Assessment  
3<sup>rd</sup> Package to liberalise  
electricity and gas markets**

**Employment aspects: chapter 5.14**

**December 2007**

### 3<sup>rd</sup> Package to liberalise the internal market for electricity and gas and the Impact Assessment – Employment Aspects – chapter 5.14

#### **Summary**

EPSU has considered the chapter on the employment aspects of the Commission's Impact Assessment on the effects of the further liberalization of the internal market for electricity and gas – chapter 5.14, p.68-70.

This analysis is a companion document to the critique of Prof. Steve Thomas (University of Greenwich, UK). We attached our summary as an annex to this paper.

**Our conclusion:** This can **not** be called an impact assessment of the employment effects. It is **a collection of statements** and reference to European legislation. It **ignores** hard evidence of electricity restructuring in the European Commission's possession through the EcoTec study (2007) which demonstrates how Commission proposals do affect the sector.

**Our Request:** We request the European Parliament to also raise the incomplete analysis provided by the European Commission and demand additional information from the European Commission.

#### **1.Introduction**

The European Commission published the 3<sup>rd</sup> package to open the European Union market for electricity (and gas) to competition 19 September 2007. The package includes two proposed Directives:

- 'Common rules for the internal market in electricity' (COM (2007) 528)<sup>1</sup> (hereafter Electricity Directive);
- 'Common rules for the internal market in gas (COM (2007) 529)<sup>2</sup>.

It also included three proposed Regulations:

- 'Establishing an Agency for the Cooperation of Energy Regulators (COM (2007) 0530)<sup>3</sup>;
- 'Cross-border exchanges in electricity' (COM (2007) 0531)<sup>4</sup>; and
- 'Access conditions to the gas transmission network' (COM (2007) 0532)<sup>5</sup>.

The Commission also published

- an 'Impact Assessment' on these proposals<sup>6</sup>.

EPSU considered the social aspect of the 3<sup>rd</sup> package and the Impact Assessment in particular. Our analysis complements the analysis of Prof. Steve Thomas of the University of Greenwich, UK. It is available on the website of PSIRU. [www.psiru.org](http://www.psiru.org) section reports.

<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0528:EN:NOT>

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0529:EN:NOT>

<sup>3</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0530:EN:NOT>

<sup>4</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0531:EN:NOT>

<sup>5</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007PC0532:EN:NOT>

<sup>6</sup> [http://ec.europa.eu/energy/electricity/package\\_2007/doc/2007\\_09\\_19\\_impact\\_assessment\\_en.pdf](http://ec.europa.eu/energy/electricity/package_2007/doc/2007_09_19_impact_assessment_en.pdf)

## **2. The Impact Assessment is incomplete and ignores existing evidence**

We concentrate on the social and especially the employment dimension of the impact assessment. The impact assessment addresses the social aspects in chapter 5.14, pages 68 - 70.

### **2.1 Evidence ignored**

Although the impact assessment mentions the EcoTec study for the Commission on *The Employment Effects of Opening the Gas and Electricity Markets (2007)*. It does not summarize the conclusions of this study, nor does it enter into any detail on its outcome. This is not acceptable and not what would be expected of a serious assessment.

The social partners in both the gas and electricity industry have participated in this study, The electricity social dialogue committee (employers and trade unions) concluded (3 October 2007):

*“(...) liberalisation of the electricity industry is one of the main reasons of change in the sector and has lead directly or indirectly to very active restructuring, causing an important loss of employment within the industry and to qualitative changes on the work floor. Because of the lack of data on outsourcing and job creation in new activities and in other sectors, the study however does not give a complete view on the total impact on employment.”*

We regret that this study has still not been published as many companies and trade unions participated in it, providing evidence and other input.<sup>7</sup> *Is the Commission suppressing evidence it does not like ?*

The Commission just states that *“the direct social impact of all proposed measures is likely to be very limited.* This is an assertion that is not backed up by referenced data, analysis, case studies or other evidence. The earlier mentioned study gives a different picture according to the electricity social partners:

*The study gives a first impression of the important challenges the electricity industry will face in the next years: attractiveness of jobs for young people, ensuring continuity of skills and knowledge, training, mobility and demographic issues, and the social impacts both internal and external to the electricity sector.*

*One issue that is brought forward in the study, but that merits much more attention is outsourcing. Outsourcing has had a substantial impact on the sector over the last years. It has brought many changes in the sector and has had an impact on industrial relations for both employers and trade unions. Therefore this issue needs to be investigated further and more complete and detailed data collected. (...)*

### **2.2. Further restructuring not addressed**

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<sup>7</sup> The study is available on the website of one of the social partners: [www.epsu.org/a/2939](http://www.epsu.org/a/2939)

Certainly those companies that will be confronted with full ownership unbundling or the Independent System Model if these are decided, will face further restructuring affecting employment and industrial relations.

### **2.2.1 Outsourcing, concentration and control over wires and pipes**

Energy companies outsource many functions including maintenance, control and safety. They could just end up owning pipes and wires. The experience is that often quality suffers as “own staff” feels more committed to a job than contractors do. Functions could be split off, and a process of take-overs would start. Already there is a process of concentration of energy services taking place, and with these companies outsourcing as well. This development would also make a reference to non-European investment funds and companies not owning the assets virtually meaningless; these funds could not own but still operate the assets. These aspects are not explored in the impact assessment.

### **2.2.2 Effects of ownership unbundling**

EPSU has pointed out that unions and workers’ representatives report the following effects of ownership unbundling amongst others:

- Effect on career perspectives;
- Impact on Information, Consultation and Participation Rights (related to thresholds for representation, additional rights in larger companies)
- The ability to deal with restructuring (more possibilities exist in larger companies)
- Further fragmentation through outsourcing
- Impact on collective agreements (not in all countries sector wide agreements exist)

***Our experience is that a restructuring is used to cut jobs, not to create new and additional jobs.***

The Commission could have explored the effects of ownership unbundling through case studies or interviews with employers and companies, trade unions and workers representatives concerned. The number of companies affected is relatively limited. The Commission relies on econometric simulations which have no value as Professor Thomas argues as they are based on forecasted and estimated inputs of electricity prices. What you put in, come out. The Commission shuns the hard empirical work that is needed and to which the EcoTec study testifies.

### **2.3 Reference to legislation is not an assessment of impact**

The impact assessment simply argues that the companies are already engaged in restructuring (no further reference or detail given) and that any negative impact can be dealt with based on existing legislation. ***We do not consider reference to legislation an impact assessment.***

### **2.4. Role of the Regulators**

The impact assessment does not consider how the increased role for Regulators and the proposed Agency could affect employment and working conditions. This could have positive effects when regulators set standards and monitor safety, maintenance and repairs, qualifications of staff, sufficient numbers of staff for example as part of licensing and certification procedures, or negative when regulators, possibly using new found powers, impose reductions in tariffs for networks which translate into pressure on companies and their staff. This is not explored. It reflects the lack of the 3<sup>rd</sup> package and the proposed Regulation to establish the Agency to consider quality of service regulation.

## **2.5 Skill deficit not addressed**

The Commission does not take into account the continuing effect of liberalization and the measures proposed by the Commission on the attractiveness of the industry as a stable employer. Many electricity companies face problems recruiting skilled workers as we have already noted in the social partner statement on the *Future skills needs in the European electricity sector (2004)* Based on research of the University of Cardiff we concluded:

*“The main finding of the research is that the European electricity industry faces a looming skills deficit, in different employment areas and across the occupational span of the industry. Two aspects are especially notable.*

*First, the deficit is emerging in the context of a decline in technical and technological essential employment (crafts and engineering). In part, this is reflected in the ageing profile of the industry.*

*Second, there is a growing shortfall in meeting the demands for new skills (sales, trading, commercial activities, and customer-oriented skills) that are integral to the emergent European industry. One consequence of these two related developments is the need for long-term training planning. Central to addressing these issues should be a commitment to the ‘management of change’.*

The statement further underlined:

*“The restructuring of the electricity industry impacts on employment. The employers and trade unions are concerned about the consequences for skills requirements and training. A skills gap is appearing. Ensuring the appropriate skills and qualifications requires long-term investments in people. Skill shortages can have an impact on security of supply, delivery of services, maintenance and renewal of infrastructure, prices and competitiveness. They should thus be an issue to be addressed jointly by all parties concerned”*

The impact assessment demonstrates no understanding of this problem and how new proposals impact on the stability and long-term perspectives of the electricity industry and its employment.

**The impact assessment of the implications of the proposed Electricity Directive on employment and working conditions is thus not complete. The Commission should study this further. The priority is focusing on the companies which will be most effected by its proposals. The results should be provided to the European Parliament and Council and be the basis of amendments to the Directive. We are ready to contribute to this.**

## **3. Indirect effects of the 3<sup>rd</sup> package.**

The Commission also addresses the indirect effects on employment. These can be positive or negative. The earlier mentioned EcoTec study underlined how difficult it is to demonstrate these indirect effects. This is confirmed in the impact assessment.

However, the European Commission then refers to econometric modeling to estimate the effects. Based on an input of forecasted (!) lower electricity prices the models then give a to be expected positive effect. The analysis of Steve Thomas, Professor of Energy Policy, Univeristy of Greenwich, UK makes a strong case arguing that such modeling does not have value.