

SECTORAL ACTIVITIES PROGRAMME

SECTOR Notes

Impact of the Global Economic Recession On the Utilities Sector

October 2009

Executive Summary: This study examines employment in the utilities sector around the world. During previous decades, privatisation was encouraged due to the widespread belief that the private sector could deliver more efficient services than the public sector, since public debt had grown. Governments have also restructured the utility providers before privatising them or without privatising them. The financial crisis caused new financial investment to fall by 53% in the first quarter of 2009. Despite the importance of investment in power projects based on renewable sources, the estimate for 2009 is that this investment may drop by 38%. Due to the increasing privatization of service delivery (often with multinational companies coming onto the scene) and the introduction of new technology,¹ employment opportunities in the traditional utilities services are dwindling. Most of the countries studied have shown an increase in employment since 2000, although with varying intensity. Many countries are engaging in expanded infrastructure work in response to the crisis, but others are responding to the credit crunch with layoffs. The ILO has approved the Global Jobs Pact to encourage governments to develop mechanisms that will strengthen employment and decent work for the post crisis work. It espouses principles relevant to the utilities sector, and proposes specific utility related measures to be included in stimulus packages. The ILO can further assist by the monitoring the impact of the crisis and the reforms on the utilities sector; identifying the critical challenges facing the utilities sector and outline possible measures to mitigate the effects of the global recession; strengthening the capacity and political will to gather employment statistics and keep them up to date; collaborating with relevant international governmental and non-governmental organisations on green job creation; and providing assistance to address the social and labour dimensions of the global economic and financial crisis as well as reform processes, and to develop responses through sectoral social dialogue and consultations between the parties involved.

I. Background and trends

The utilities sector includes the water, gas and electricity infrastructure and services which play a vital role in the provision of basic services for the population and the growth of other economic sectors. Equal access to affordable and efficient electricity, gas, water and sanitation services is one of the prerequisites for a sustainable social and economic development, the importance of these services being reflected in the Millennium Development Goal (MDG) number seven.² This MDG calls for ensuring environmental

¹ e.g. meter reading and computerized system of sending bills to users

² Goal 7- Ensure environmental sustainability: 1) Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources; 2) Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss; 3) Halve, by 2015, the proportion of people

sustainability, including sustainable access to safe drinking water and basic sanitation. If the MDGs are to be reached, increased focus could be placed on determining effective financing mechanisms for all levels of utility service provision which becomes difficult to realize in the context of the current economic downturn, in which public finances are squeezed and private financing sources are affected by the global banking crisis. This Note attempts to highlight some aspects of the impact of the crisis on the utilities sector.

1. Trends and issues in the utilities sector before the crisis

The trends and changes occurred in the utilities sector during the recent decades had been extensively discussed during two ILO sectoral meetings: the Tripartite Meeting on Managing the Privatization and Restructuring of Public Utilities held in April 1999,³ and the Tripartite Meeting on Challenges and Opportunities Facing Public Utilities held in May 2003.⁴ These meetings highlighted that public utilities play a vital role in economic and social development and that they must serve the public interest whether they were provided publicly or privately.

Privatization of utility services is one of the main challenges in the reforms of public services. During previous decades, it used to be encouraged due to the widespread belief that the private sector could deliver more efficient services than the public sector, since public debt had grown. Privatization was often preceded by restructuring with the aim of making the companies more attractive to potential buyers. Some regional trends on privatization in the water utilities sector will be summarised below.

In Latin America, one of the important trends from late 1980s was the introduction of private ventures in the field of utilities management. So far, in spite of numerous instances of private ventures, the role of public sector is still dominant. More than 90% of the region's population still depends on public utilities. However, billions of dollars are needed to close sanitation gap in that region.

An OECD report from 2007 found that involvement of the private sector in the field has remained very low in the last 6 or 7 years in Eastern European, Caucasus and Central Asian (EECCA) countries, despite the inadequacy of existing utilities, including water.⁵ One exception is Armenia, where almost all major utilities have come under private sector management contracts involving international operators and cover about 65% of the population. In the Russian Federation, a number of domestic private sector operators have been created over the past several years, supplying water to approximately eleven per cent of the urban population. But the quality of the services has not been evaluated.

According to the OECD, little more than 5% of the world population received drinking water from private operators in 2003. Private ventures do not play a major role in Africa where

without sustainable access to safe drinking water and basic sanitation; 4) By 2020, to have achieved a significant improvement in the lives of at least 100 million slum-dwellers.

³ ILO, Sectoral Activities Programme, *Note on the Proceedings: Tripartite Meeting on Managing the Privatization and Restructuring of Public Utilities*, Geneva, 12-16 April 1999, International Labour Organization (ILO), 1999, <http://www.ilo.org/public/english/dialogue/sector/techmeet/tmpu99/tmpun.htm>

⁴ ILO, Sectoral Activities Programme, *Note on the Proceedings: Tripartite Meeting on Challenges and Opportunities Facing Public Utilities*, Geneva, 19-23 May 2003, International Labour Organization (ILO), 2003, <http://www.ilo.org/public/english/dialogue/sector/techmeet/tmcpu03/tmcpu-n.pdf>

⁵ OECD, ENV/EPOC/EAP(2007)2, *Financing Water Supply and Sanitation Sector in EECA countries, including progress in achieving water-related millennium development goals (MDGs)*, 20 February 2007, [http://www.oecd.org/olis/2007doc.nsf/ENGDATCORPLOOK/NT00000B32/\\$FILE/JT03222293.PDF](http://www.oecd.org/olis/2007doc.nsf/ENGDATCORPLOOK/NT00000B32/$FILE/JT03222293.PDF)

privatised services could be found only in few countries, generally French-speaking former colonies such as Côte d'Ivoire. However, during the 1990s, donor agency pressures caused some countries such as South Africa to privatise some piped water services.⁶ By the end of 2003, at least 93 countries had done the same, including Argentina, Chile, China, Colombia, the Philippines, South Africa, the transition economies of Central Europe, and, among industrial countries, Australia and the UK. Based on the World Bank Private Participation in Infrastructure Database for the period 1990-2002, Latin America and the Caribbean and East Asia and Pacific together accounted for more than 95% of total investment.

There exist a great variety of privatization and restructuring models for the public utilities, ranging from minimum to full withdrawal of the state. At the minimum withdrawal end, there are many examples of *management privatization*, through *corporatization* and *commercialization*, as well as *decentralization to the provincial and municipal levels*. Other schemes provide for the *outsourcing or contracting out* of all or parts of the operations, where governments retain some say in the running of the company, while contracts and concessions grant private developers full responsibility for management and investment. During the full withdrawal of the state, there is the partial or full transfer of ownership, through *the partial or total sale of shares* to the national private sector or to international private or public companies. Chile instituted water markets, in which persons and companies can buy, sell or trade water rights, in the 1980s.

Governments have restructured the utility providers with or without privatising them. Some have unbundled the generation, transmission and distribution of electricity without privatising them or prior to doing so; the electricity grid, for example, remains publicly owned in most countries. Restructuring may also take the form of decentralizing to the municipal level former state regional companies, as in the case of water in the transition countries of Central and Eastern Europe, very few of which have been privatized. Similarly, private companies may also act to reverse earlier forms of restructuring, as in Sweden, where power generators have taken over electricity distributors to guarantee outlets for their power.

The main challenge during privatization processes is to strike a balance between commercial and business concerns and the provision of cheap, reliable, good quality and widely accessible services. This means the necessity to develop and provide mechanisms to monitor, follow up and regulate the privatization processes according to a broad range of criteria, including social, environmental and economic considerations.

Privatization has been accompanied by an opening of utility markets to cross-border competition, leading to *liberalising* the markets, as in the case of electricity and gas supply in the European Union since the mid-1990s. Cross-border ownership is also spreading, sometimes through *mergers*, but usually through *acquisitions (M&As)*. Some state-owned utility corporations have become multinational enterprises, taken advantage of increased competition in other countries and increased their presence across the globe while enjoying protection from competitors in their home markets.

The above listed challenges facing public utilities, as well as changes in ownership structures, increased competition, changes in regulatory and legislative frameworks and business diversification, had an impact on the sector's employment and working conditions, pay and job security during the recent decades. The various forms of changes faced by the industry

⁶ Kirkpatrick C. et al., 2006, *An Empirical Analysis of State and Private-Sector Provision of Water Services in Africa*, The World Bank Economic Review, Vol. 20, No. 1, pp. 143-163.

including M&As often resulted in the loss of jobs in the sector, noting that job creation in other areas had not compensated for the decline. Another challenge was the severe gender imbalance in some sub-sectors and the ageing workforce. This has presented a challenge in recruiting young women and men, as well as demands for greater efficiency through multi-skilling. M&As have often led to increased workloads, reduced job security and stress, leading to lower productivity. There are also concerns about the impact on salaries and eventual loss of pensions and other benefits entrenched in collective bargaining agreements with former companies.

2. Overall financing trends during the crisis

Energy demand, environmental concerns and pressures on pricing are key forces influencing the contemporary utilities industry. The on-going processes of globalisation and climate changes are putting pressure on the current limited energy and water resources. The utilities sector is at the center of attention as companies, governments and consumers confront with issues such as security of supply, environmental impact and sustainability. The major changes seen in the utilities sector anticipate a world with a wider range of technologies.

In the context of the current financial and credit crisis when government revenues were considerably reduced, energy and water utilities and municipalities are striving to finance the provision of their services. Public finance for infrastructure maintenance and upgrades is also under strain. Raising tariffs for utility services becomes difficult for governments as consumers are not able to face pay rise, and, as a result, utilities' financial capability is threatened, and maintenance and rehabilitation work is postponed. On the other hand, crisis could provide an opportunity to push forward difficult reforms, for example, improving efficiency and governance of the water sector, or introducing renewable energy systems, that could attract funds from financial markets and make the sectors attractive to investors.

Since the beginning of the current crisis, energy utility companies are facing a difficult challenge as they balance the constraints of the downturn with the investment required to meet future energy demand, security of supply, and climate change concerns. A survey on executives' interviews from leading power utility companies in major markets around the world (America, Europe, Asia and Africa) published in 2009 looks at the impact of the current financial and economic crisis on the industry⁷. According to survey, since the beginning of the crisis, utility companies have been affected by series of events – the collapse of giants of the banking system, the credit and wider financial crisis, the reversal in demand and price growth, and outright recession in many major markets. Responses of about 70 executives from leading power utility companies give the following picture:

- Two thirds (67%) of survey respondents reported that a shortage of capital is having a high or very high impact on their activities.
- The development of new generation capacity and the renewal of existing generation plant is a priority area for most companies. 83% of them seek to make medium to large investment in new power generation, and 79% in transmission.
- 86% of respondents indicated that reduced liquidity in energy trading markets was having an impact on their companies with 60% of all respondents rating this impact as

⁷ Price Waterhouse Coopers, 2009, *Utilities global survey 2009: A world beyond recession*, http://www.pwc.com/en_GX/gx/energy-utilities-mining/pdf/utilities-global-survey-2009.pdf

high or very high. Customer credit risk is also identified as an area of major concern. 79% felt that the economic recession will slow down responses to climate change, and two thirds of those felt it will have a high or very high slowdown impact.

- 59% of respondents feel that their renewable energy investment programmes have been affected by the lack of clarity from governments on renewable energy targets and financial support for renewable energy.
- The importance of technology for key developments, such as energy efficiency and the expansion of nuclear power, has led many respondents to identify power equipment and technology companies as a more significant competitive threat than direct competition in the retail market by home market rival companies. Technological innovation is seen as central to a range of key developments in the sector.

The UNCTAD report “Assessing the impact of the current financial and economic crisis on global FDI flows” (2009)⁸ addressed the impact of crisis on the flows of foreign direct investment, including the merger and acquisition activities. According to the report, the ongoing financial and economic crisis affects the FDI flows which were estimated to have declined by 15% in 2008 and were expected to decline further in 2009, as the full consequences of the crisis on transnational corporations’ (TNCs) investment expenditures continue to unfold. The setback in FDI has particularly affected cross-border mergers and acquisitions, the value of which was in sharp decline in 2008 and early 2009 as compared to the previous year’s historic high. In the services sector, which accounts for around three fifths of the worldwide FDI stock, crossborder mergers and acquisitions (M&As) flows declined overall by 29 per cent in 2008, of them by 28% for the utilities services (electricity, gas and water).

According the information from the latest issue of the specialized magazine⁹, power and utilities mergers and acquisitions’ activity has been on a downward trend, affected particularly by the banking crisis and credit freeze of September 2008. The statistics show that there was a severe decline in M&A activity for the power and utilities sector towards the end of 2008 and into the first quarter of 2009, as transactions dropped by almost 60%. Globally, there have been fewer cross-border transactions from the end of 2008 to the first quarter of 2009.

Another recent report on “Corporate policies in the EU energy sector”¹⁰, “the financial crisis has made the companies more sensitive to their debt levels, especially the companies like Électricité de France (EDF) and the Italian Ente Nazionale per l'Energia Elettrica (ENEL) that have made major acquisitions and several of the companies are looking to divest non-core assets to reduce their debt levels and protect their credit ratings. This can also have implications that impact on workers like outsourcing and lower wage increases as major disputes in the German E.ON and EDF illustrate.

Without strong backing from government, the major national companies, even those as large as the British companies, (Centrica and Scottish & Southern) will struggle to survive as independent companies as the five major companies continue to try to increase their grip over

⁸ UNCTAD, 2009, *Assessing the impact of the current financial and economic crisis on global FDI flows*, http://www.unctad.org/en/docs/diaeia20093_en.pdf

⁹ Ernst & Young Global Power & Utilities Center, 2009, *Utilities Unbundled : Analysis and comment on current issues in power and utilities*, Issue 06, June 2009,

[http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/\\$FILE/Utilities_unbundled_Issue6.pdf](http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/$FILE/Utilities_unbundled_Issue6.pdf)

¹⁰ Thomas S., Prof., August 2009, *Corporate policies in the EU energy sector*, Public Services International Research Unit (PSIRU), http://www.epsu.org/IMG/pdf/Corp_policies_update_2.pdf

European energy markets. Some countries, such as Denmark, Luxembourg, Romania and Czech Republic do seem to be supporting the emergence of ‘national champions’ but this support can only be limited given EU competition law. In some of the countries where large numbers of companies still exist, such as Italy and Switzerland, mergers and takeovers are rapidly reducing the numbers of companies in the market.

The major European international companies are increasingly focusing their investments in markets which connect physically with their core businesses. While the large companies maintain a watch on countries on the edge of the EU, such as Turkey and Ukraine, they appear not to be seeking to expand their position until it is clearer that these countries will become integrated more fully into European markets”.

In its report to the G8 Energy Ministers’ Meeting held in Rome in May 2009, the International Energy Agency (IEA) listed the following aspects of the impact of the current financial and economic crisis on the energy sector:¹¹

- Reliable data on recent trends in capital spending and demand are still coming in, but there is clear evidence that energy investment in most regions and sectors will drop sharply in 2009.
- Preliminary data points to sharp falls in demand for energy, especially in the OECD, contributing to the recent sharp decline in the international prices of oil, natural gas and coal.
- In the oil and gas sector, there has been a steady stream of announcements of cutbacks in capital spending and project delays and cancellations, mainly as a result of lower prices and cash flow. It is estimated that global upstream oil and gas investment budgets for 2009 have already been cut by around 21% compared with 2008 – a reduction of almost \$100 billion.
- It is estimated that global electricity consumption could drop by as much as 3.5% in 2009 – the first annual contraction since the end of the Second World War. In the OECD, electricity demand in the first quarter of 2009 fell by 4.9% on a year-on-year basis. Non-OECD regions have also seen weaker demand: in China, for example, demand fell by 7.1% in the fourth quarter of 2008 and by a further 4% in the first quarter of 2009.
- It is estimated that for 2009 as a whole, investment in renewable energy could drop by as much as 38%, although stimulus provided by government fiscal packages may offset a small portion of this decline. Investment in renewable energy assets surged in recent years, recording year-on-year growth of 85% in 2007. But activity slowed in 2008 as sources of finance contracted and lower fossil-fuel prices reduced the economic incentive for new investment, particularly in the last few months of the year. Preliminary data for the first quarter of 2009 indicates that the slump in investment has accelerated, with spending 42% lower than in the previous quarter. In most regions, investment in bio-refineries has all but dried up due to lower ethanol prices and scarce finance.

Key finding from the recent UNEP report ‘*Global Trends in Sustainable Energy investment*’¹² give the following picture on energy sector financing trends:

¹¹ International Energy Agency, *The Impact of the Financial and Economic Crisis on Global Energy Investment*, IEA Background paper for the G8 Energy Ministers’ Meeting, 24-25 May 2009,

http://www.envirosecurity.org/gpc/newsandarticles/G8_IEA_background_paper.pdf

¹² UNEP, 2009, *Global Trends in Sustainable Energy investment 2009*,

- In 2008, a total of \$155 billion was invested in sustainable energy companies and projects globally, a more than four-fold increase on 2004. As compared with 2007, however, investment growth was only 5%, in contrast to the growth rates of over 50% in previous years. Investment in the second half of 2008 was down 17% on the first half, and down 23% on the final six months of 2007.
- Investment in new energy generation projects (wind, solar, biofuels etc.) grew by 13% during 2008, to \$117 billion, and new private investment in companies developing and scaling-up new technologies, including energy efficiency, increased by 37% from 2007 to \$13.5 billion. Other types of finance decreased.
- Capital raised via the public stock markets for equipment manufacturing and project pipelines fell 51% to \$11.4 billion, as clean energy share prices lost 61% of their value during 2008.
- Total transaction value in the sustainable energy sector during 2008 – including corporate acquisitions, asset re-financings and private equity buy-outs – was \$223 billion, an increase of 7% over 2007.

Symptoms of the crisis became more acute in 2009: in the first quarter of 2009, new financial investment fell by 53% to \$13.3 billion compared to the same period in 2008, the lowest level of quarterly investment in three years. There were some ‘green shoots’ of recovery during the second quarter of 2009, but the sector has a long way to go this year to reach the investment levels of late 2007 and early 2008.

According to an expert, funding for the utilities sector may come from various sources, including utility rates, impact (growth-related) fees, capital reserves and long-term borrowing. Long-term borrowing can be obtained from a variety of sources like public works trust fund loans, SRF, open market and local borrowing. In many countries the main source of long-term financing in utilities sector has been municipal bonds or open market borrowing (i.e. Wall Street). The financial crisis has impacted the credit market, and, consequently, the municipal bond market.¹³ The expert concluded that the financial stability of the utility sectors will be vital to obtain funding in the future, whether through the sale of municipal bonds or a state revolving fund loan. At present, it is difficult to determine impacts of crisis to the future of funding, but it is clear that those impacts will be felt for quite a while.

According to projections dating back to 2008¹⁴ the global financial crisis might impact U.S. utilities, especially in terms of technology spending. Although utilities have traditionally been able to raise long term capital at favourable rates, the credit crisis will probably make the cost of capital more expensive. At the same time, regulators are becoming increasingly reticent to approve large capital expenditures given the already existing risks associated with the rising costs of labor and materials, the uncertainty surrounding the cost of carbon in an almost inevitable mandatory carbon cap-and-trade program in the United States (at least for fossil fuel plants), and the unknown impact of a recession on-demand growth. This means that utilities will likely delay raising capital to build new large power plants and transmission lines, which can cost billions of dollars. Despite this expected slowdown in spending for large capital projects, energy demand should continue to grow (albeit at a slower rate) and

http://www.unep.org/pdf/Global_trends_report_2009.pdf

¹³ Gould, T., 2009, *Q&A: How Does the Current Economic Crisis Impact Utilities*, HDR Waterscapes, Volume 19, Issue 3, <http://www.hdrinc.com/Assets/documents/Publications/Waterscapes/winter2008-2009/EconomicCrisis.pdf>

¹⁴ Energy Insights Perspective, October 2008, *Impact of the Financial Crisis on Technology Spending in the Utility Industry*, http://cdn.idc.com/downloads/EI_Utility_Spending_Update.pdf

regulators should continue to enforce renewable energy, CO₂ reduction, and energy efficiency goals. This situation alone will make distributed energy, demand response, and energy efficiency technology investments more attractive.

Political decision makers and unions have become convinced that massive investments should be made in research and development for the promotion of new sources of energy, a more rational use of water, combating all types of pollutions, contributing to create a low carbon society, etc. To their view, appropriate laws are also needed for a better control of the quality of all utilities. Another consequence of the crisis has been the awareness of the importance of promoting social dialogue in the energy sector to bring companies, employers and employees closer to agreement regarding policy measures.

Public service unions such as European Federation of Public Service Unions (EPSU), have reacted strongly to the introduction of competition in the utilities sector (such as electricity and gas), claiming that “it would result in massive job losses, erosion of skill base, concentration of power and profits in the hands of a few mega-companies”. They are afraid of “loss of democratic control” which could lead to higher prices for domestic households and more energy poverty. Unions believe that this has already happened in the last 10 years, and reject the liberalization of electricity and gas markets¹⁵.

EPSU argues that the crisis has already affected the energy and waste management sector in particular as follows:

- a) Declining electricity consumption and less waste has created financial problems for producers.
- b) Job losses, outsourcing, pay freezes and increased unemployment in the sector were reported from all European countries.
- c) Stimulus packages on renewable energies and on development of the Green economy are positive signs.¹⁶

One of the effects of the crisis has been the realization of the necessity of common energy policy at least at a regional level, in order to reduce the dependence on fossil fuels and to promote renewable sources of energy¹⁷.

It seems that despite ecological considerations, the interest in nuclear energy has been revived in recent years, as in the case of oil- and gas-rich Iran. The nuclear renaissance seems to be in full swing across Asia. Asian governments are actively encouraging both public and private domestic companies to invest in overseas uranium mines to secure supplies for their own reactors and as an investment in its own right. Reliance on uranium imports by countries like Japan, South Korea, India, and China promotes higher prices for uranium.¹⁸

¹⁵ EPSU, *Introduction to Public Utilities and EPSU*, <http://www.epsu.org/a/4041>

¹⁶ EPSU, *Transnational agreements, financial crisis and company profits dominate 30th Standing Committee*, 18 May 2009, <http://www.epsu.org/a/5046>

¹⁷ EPSU, *Congress 2009 Adopted Resolutions: R.7. Utilities*, June 2009, <http://www.epsu.org/a/5539>

¹⁸ Ernst & Young Global Power & Utilities Center, 2009, *Utilities Unbundled : Analysis and comment on current issues in power and utilities*, Issue 06, June 2009, [http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/\\$FILE/Utilities_unbundled_Issue6.pdf](http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/$FILE/Utilities_unbundled_Issue6.pdf)

3. Employment trends in the utilities

Due to the increasing privatization of service delivery (often with multinational companies coming onto the scene) and the introduction of new technology,¹⁹ employment opportunities in the traditional utilities services are dwindling. Many workers have been laid off without proper compensation or proper re-deployment/re-training measures. However, in view of a rapid growth of energy demand in both developed and developing countries, alternative and clean renewable energy sources (e.g. wind, solar, etc.) are now attracting attention. These renewable energy sources are said to require much less investment and technology than the traditional sources, and this is where some employment creation is expected. New jobs could also emerge as the industries adapt to recent challenges brought about by climate change.

The size of the workforce in the public utilities sector has declined in most countries during the last decade, mainly due to downsizing following the privatization and deregulation of many aspects of the electricity, gas and water industries. Despite employment recovery seen in some industrialized countries in recent years, the total employment level in these countries is still lower than several years ago. Many developing countries have experienced a growth in employment in the utilities sector overall during the last decade, but employment has declined more recently with increased deregulation and the use of new technologies.

According to the latest ILO estimate,²⁰ the number of public utility workers (electricity, gas and water supply) decreased by 1.7% overall during the period from 2000 to 2006 in the 21 countries with available data. From 2006 to 2007, overall public utilities employment decreased by additional 0.8% for the same set of countries, whereas between 2007 and 2008, overall public utilities employment for these countries increased by 1.3%.

As to the employment trends in both public and private utilities, ILO statistics show a different trend, although we must consider differences in country selection. The number of utility workers worldwide in the 42 countries with available data has increased by 10.8% between 2000 and 2006. From 2006 to 2007, the overall utilities employment increased by additional 2.1%; and between 2007 and 2008, the employment level did not change in the same set of 42 countries.

In the following sections, we provide figures and charts on utilities sector employment grouped by regions.

Utilities employment trends in several African countries

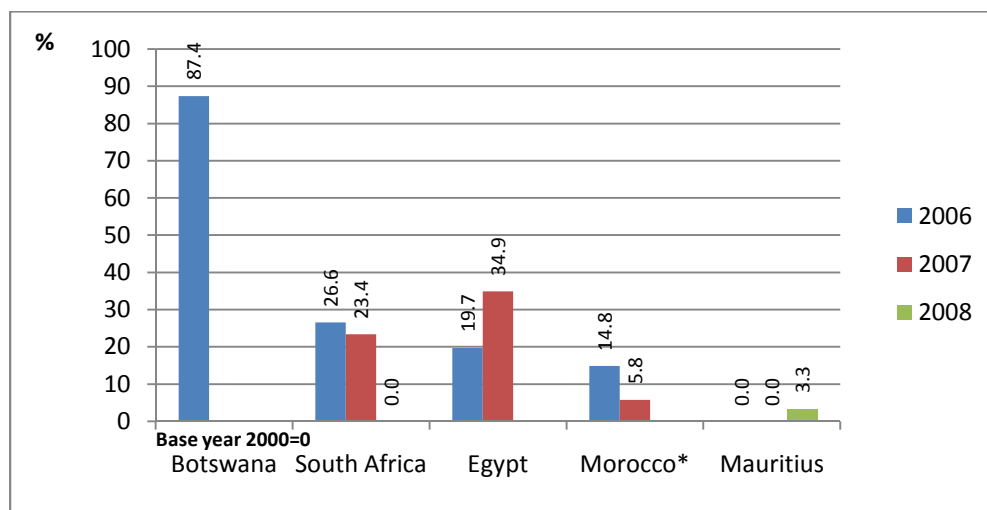
There is scarce data from this region. The statistics available only from five African countries does not allow us to identify overall regional trends, but may illustrate how the region contrasts with others. Figure 1²¹ shows that between 2000 and 2006, utilities employment rose by almost 90% in Botswana; in South Africa by around 27%; in Egypt by around 20%; and in Morocco by around 15%. From 2006 to 2007, utilities employment continued to rise in Egypt, but declined slightly in South Africa and more considerably in Morocco.

¹⁹ e.g. meter reading and computerized system of sending bills to users

²⁰ ILO LABOURSTA online statistical database: Public Sector Employment, 2009

²¹ ILO LABOURSTA online statistical database: Table 2B on Total employment by economic activity, 2009

Figure 1. Changes in utilities sector employment from 2000 to 2008 in selected African countries (Base year 2000 = 0)

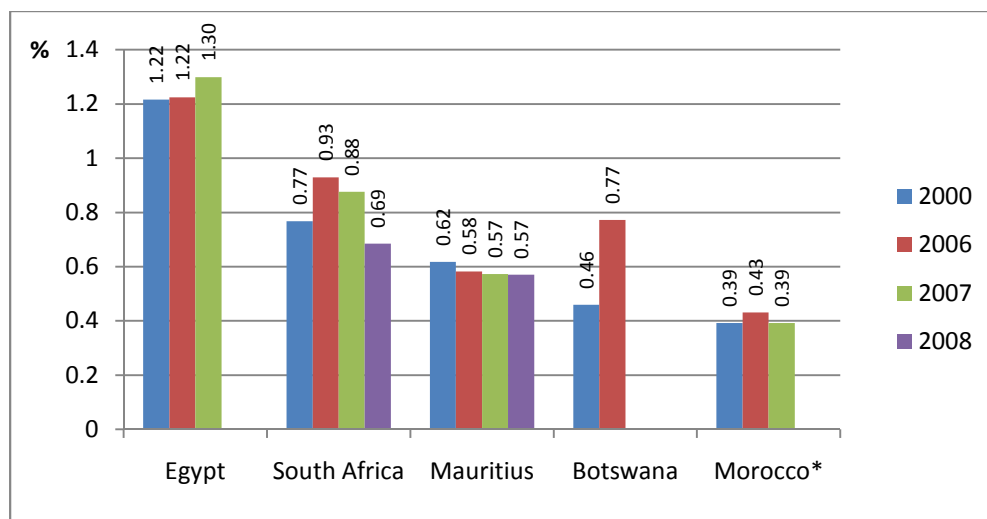


Note: * Base year 2002=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

The share of utilities employment in the total workforce comprised in 2000 between 0.4 and 1.2% in the selected five African countries, and increased slightly between 2000 and 2006 in South Africa and Botswana (Figure 2). From 2007 to 2008, the share slightly diminished in South Africa, the one of the two countries with available data.

Figure 2. Percentage of utilities sector employment of total labour force, 2000 to 2008, selected African countries

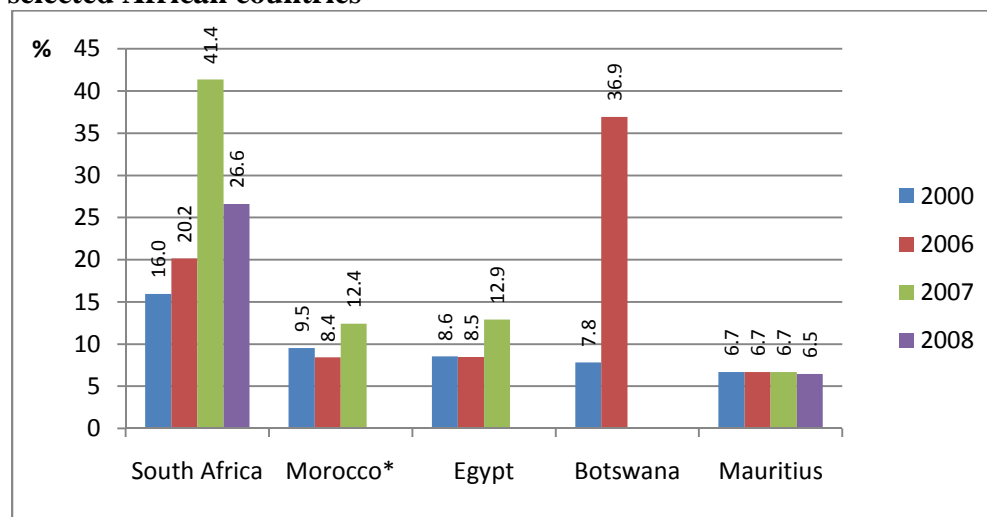


Note: * Base year 2002=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

In 2000, the share of women in utilities employment ranged from around 7% in Mauritius to 16% in South Africa. From 2000 to 2007, the women share increased considerably in South Africa, and slightly in Morocco and Egypt (Figure 3). Between 2007 and 2008, women employment in South Africa declined again considerably. In Botswana, women share raised from around 8% in 2000 to 40% in 2006.

Figure 3. Changes in the share of women in utilities employment from 2000 to 2008 in selected African countries



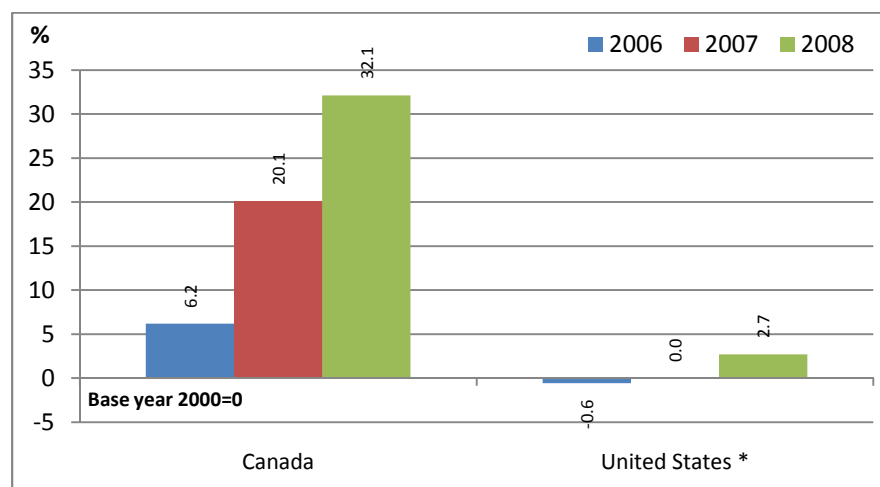
Note: * Base year 2002=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

Utilities employment trends in America

Figures 4a and 4b show changes in utilities sector employment from 2000 to 2008 for the fifteen countries from America with available data.²² In the United States, utilities sector employment registered an increase of around 3% between 2007 and 2008 (Figure 4a). In Canada, utilities employment increased by 6% between 2000 and 2006. It continued to increase through 2007 (20%), and in 2008 (32%).

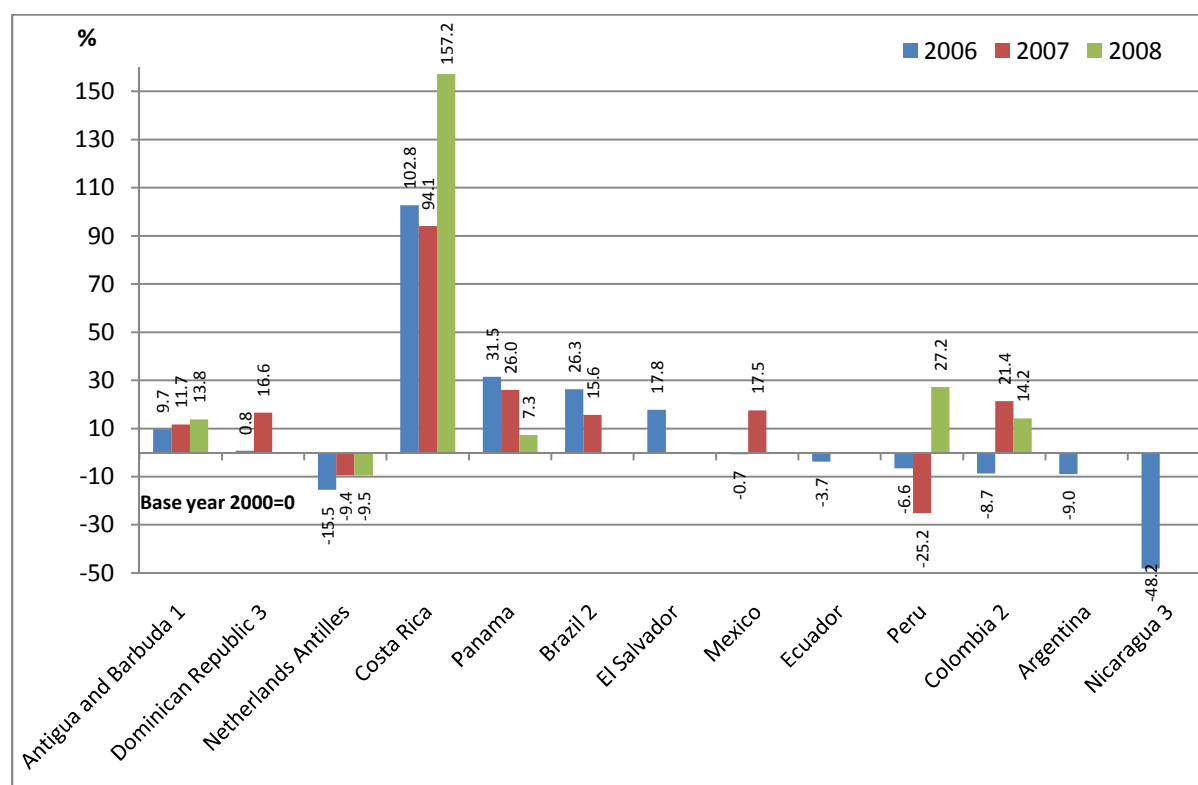
Figure 4a. Changes in utilities sector employment from 2000 to 2008 in Canada and the USA (Base year 2000 = 0)



²² ILO LABORSTA online statistical database, updated in 2009

There is no consistent trend in the rest of the region. In the Caribbean, we find that employment in the utilities increased from 2000 to 2008 in Antigua and Barbuda and in the Dominican Republic, but decreased in the Netherlands Antilles by around 16% between 2000 and 2006, though this decline diminished in 2007 and 2008 (Figure 4b). The Netherlands Antilles followed a similar pattern as the Netherlands (see below), the metropolitan country of which it is dependent. Out of ten Latin American countries with data, four increased their employment levels between 2000 and 2006. From 2007 to 2008 only Costa Rica's utilities workforce continued to grow, whereas Panama and Brazil decreased their utilities workforce. Another six LA countries have decreased their utilities employment levels between 2000 and 2006, of them Mexico and Colombia have raised their utilities employment levels between 2006 and 2007. Peru continued to decrease utilities employment until 2007, but more than doubled it in 2008 (Figure 4b).

Figure 4b. Changes in utilities sector employment from 2000 to 2008 in selected Latin American and Caribbean countries (Base year 2000 = 0)

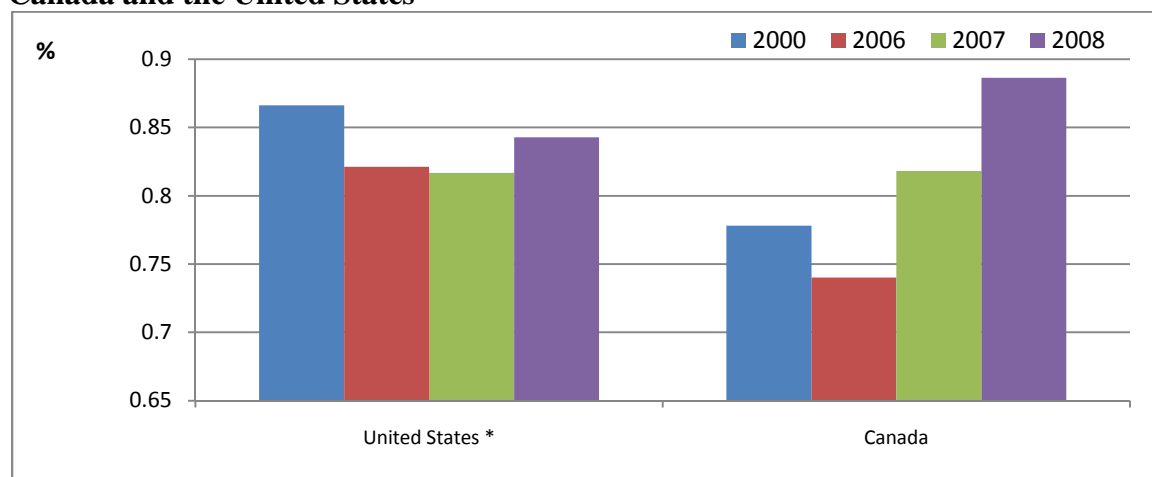


Note: ¹ - Base year 2001=0; ² - Base year 2002=0; ³ - Base year 2003=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

The share of utilities sector employment in total employment in the United States decreased between 2003 and 2007, but recovered half its losses by 2008; in Canada, the initial loss of ground between 2000 and 2006 was recovered more than twice in 2007 and continued increasing in 2008. (Figure 5a)

Figure 5a. Percentage of utilities sector employment of total labour force, 2000 to 2008, Canada and the United States

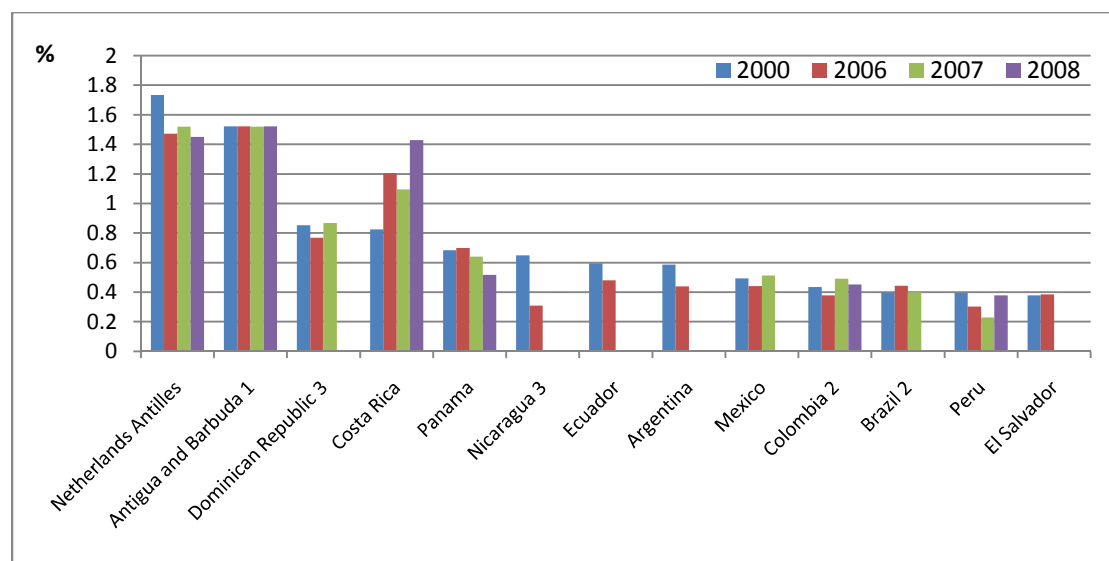


Note: * 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

The share of utilities sector employment in total employment was stable from 2000 to 2008 in the selected Latin American countries and the Caribbean, with the exception of Netherlands Antilles, where it decreased by more than 15% (Figure 5b), and in Costa Rica where it increased 75%. The Netherlands Antilles had the highest reported percentage in the region in 2000, and was tied in second place in 2008.

Figure 5b. Percentage of utilities sector employment of total labour force, 2000 to 2008, selected Latin American and the Caribbean countries

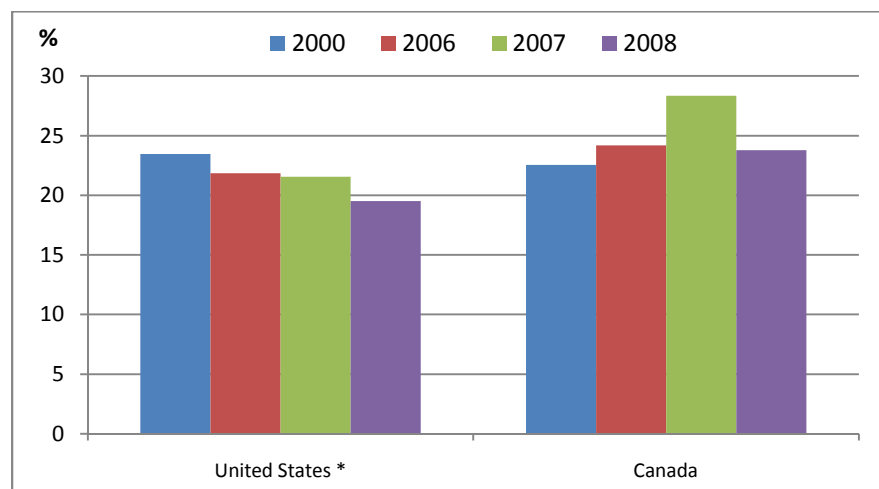


Note: ¹ - 2001 instead of 2000; ² - 2002 instead of 2000; ³ - 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

From 2000 to 2008, the share of women in utilities sector employment in the USA decreased from around 24 to 20% (Figure 6a), whereas in Canada it increased from 23 to 24%. In the United States, the decrease was consistent, while in Canada the 2008 figure represents a decrease of 4.3 percentage points from its high point in 2007.

Figure 6a. Changes in the share of women in utilities sector employment from 2000 to 2008 in Canada and the USA

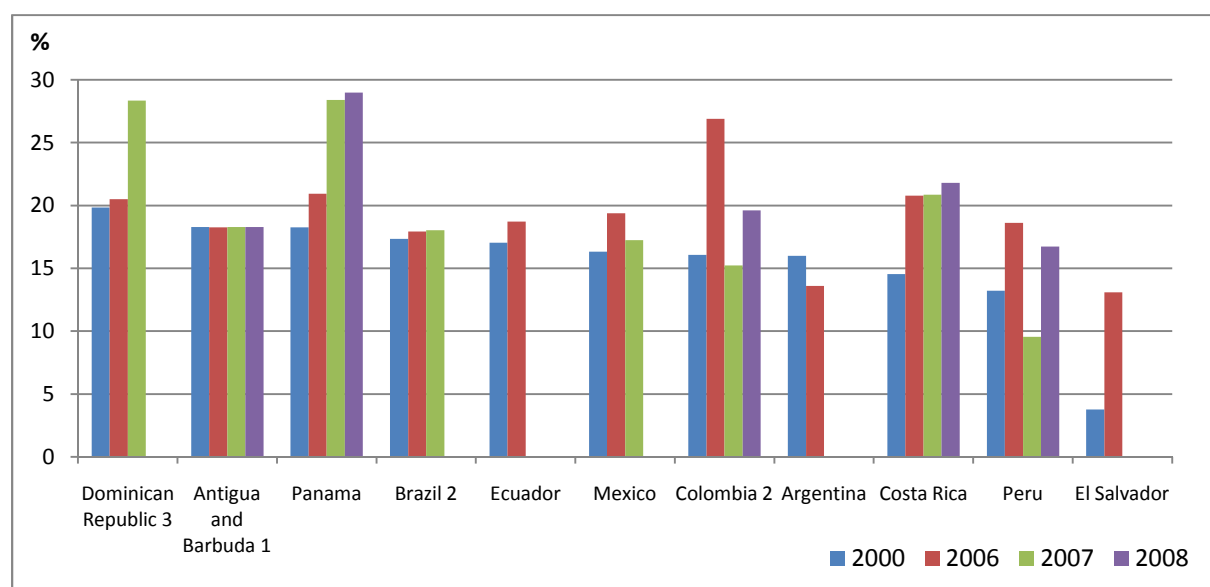


Note: * 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

In 2000, the share of women in the utilities employment in the eleven Latin American and Caribbean countries with available data ranged from around 4% in El Salvador to 20% in the Dominican Republic (Figure 6b). By 2006, the share had increased in nine of these countries. In 2007, the women's share increased only in three of the eight countries with available data, but did so in four of the five countries with available data by 2008.

Figure 6b. Changes in the share of women in utilities sector employment from 2000 to 2008 in selected Latin American and the Caribbean countries



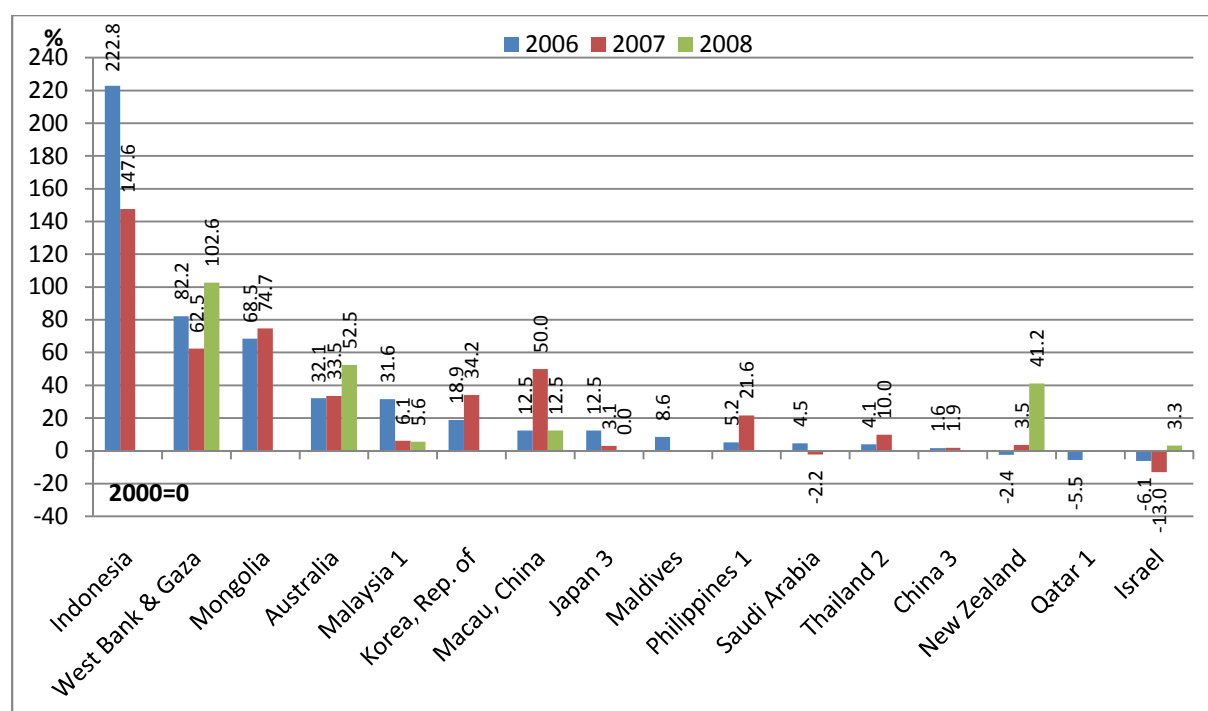
Note: ¹ - 2001 instead of 2000; ² - 2002 instead of 2000; ³ - 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

Utilities employment trends in Asia and Oceania

This region has shown a consistent tendency to increase employment in the utilities. Thirteen of the fourteen countries with available data from the Asia-Pacific region (Figure 7) increased considerably their utilities sector employment levels between 2000 and 2006. Nine of the fourteen countries with available data did the same from 2006 to 2007, and four of seven countries with data did so from 2007 to 2008.

Figure 7. Changes in utilities sector employment from 2000 to 2008 in selected countries in Asia and Oceania (Base year 2000 = 0)

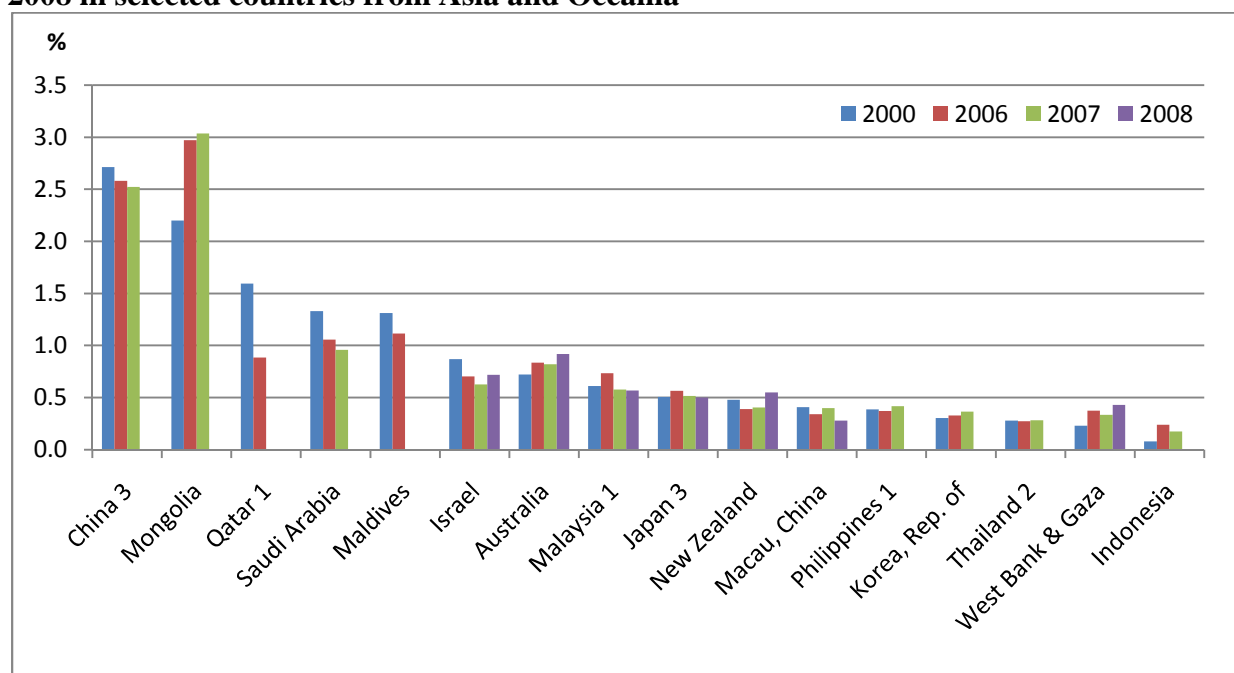


Note: ¹ Base year 2001=0; ² Base year 2002=0; ³ Base year 2003=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

In 2006, the share of utilities sector employment in the total workforce ranged from 0.1% to 2.7% in the sample of fifteen countries and administrative departments from Asia and Oceania (Figure 8) with available data. Between 2000 and 2006, the overall share for these countries has remained at 1.6%. For the countries with data for 2007 and 2008, the share has remained stable.

Figure 8. Changes in utilities sector employment as a % of the labour force from 2000 to 2008 in selected countries from Asia and Oceania

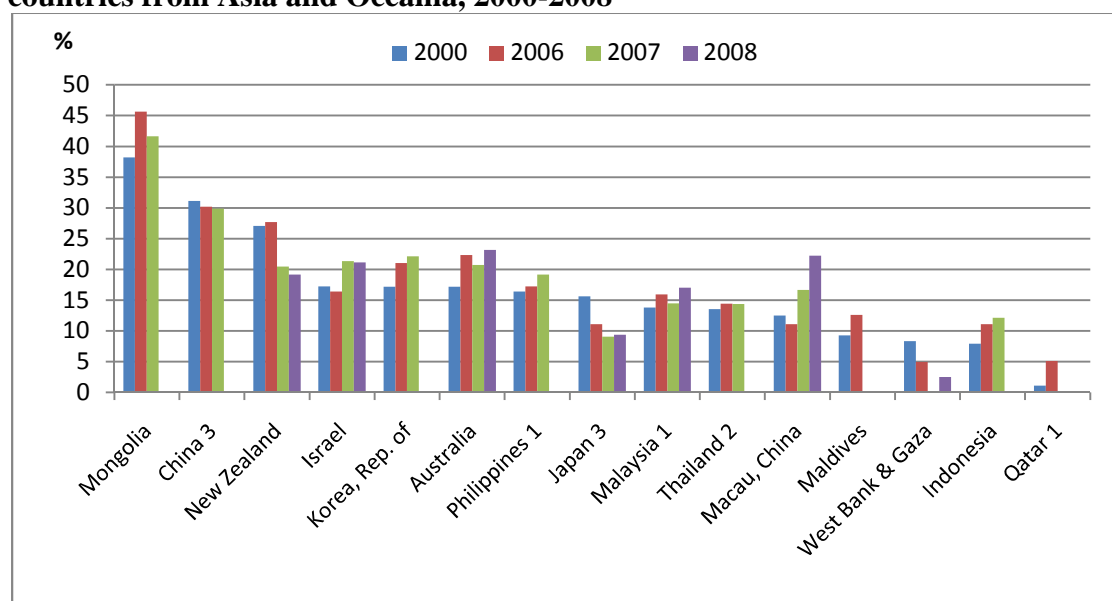


Note: ¹ 2001 instead of 2000; ² 2002 instead of 2000; ³ 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

In 2000, the share of women employed in the utilities sector ranged from around 1% to 9% in Qatar, Indonesia, West Bank & Gaza and Maldives; around 13% to 17% in Macau, Thailand, Malaysia, Japan, Philippines, Australia, Korea and Israel; and between 27% and 38% in New Zealand, China and Mongolia. Between 2000 and 2006, this share increased in ten of the fifteen countries but did not change considerably between 2006 and 2008 in several of the selected countries with available data. In Macau of China, however, the share doubled in that period.

Figure 9. Change in the female share of the employment in the utilities sector in selected countries from Asia and Oceania, 2000-2008



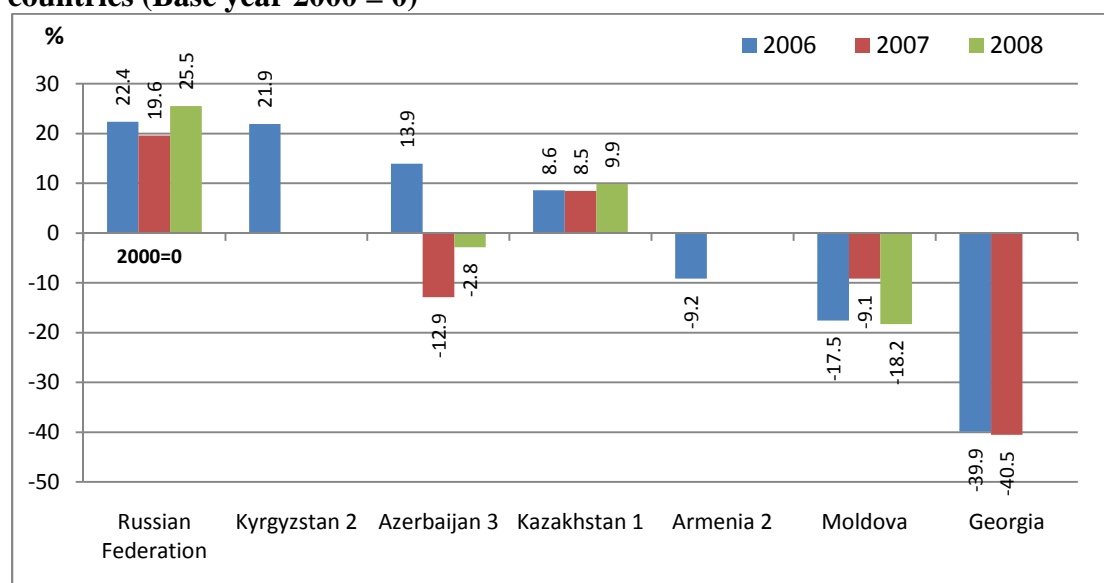
Note: 1 2001 instead of 2000; 2 2002 instead of 2000; 3 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

Utilities employment trends in the Commonwealth of Independent States (CIS)

There is data for seven of the fifteen countries in this grouping. This sample shows a mixed trend (Figure 10): the three southeast countries in the sample reduced utilities sector employment, two Central Asian countries and Russia increased it. Azerbaijan, the third Central Asian country in the sample, appeared to fluctuate broadly: after greatly increasing employment in 2003-06, it decreased dramatically in 2007 and bounced back in 2008 to 2.8% fewer workers than in 2003.

Figure 10. Changes in utilities sector employment from 2000 to 2008 in selected CIS countries (Base year 2000 = 0)

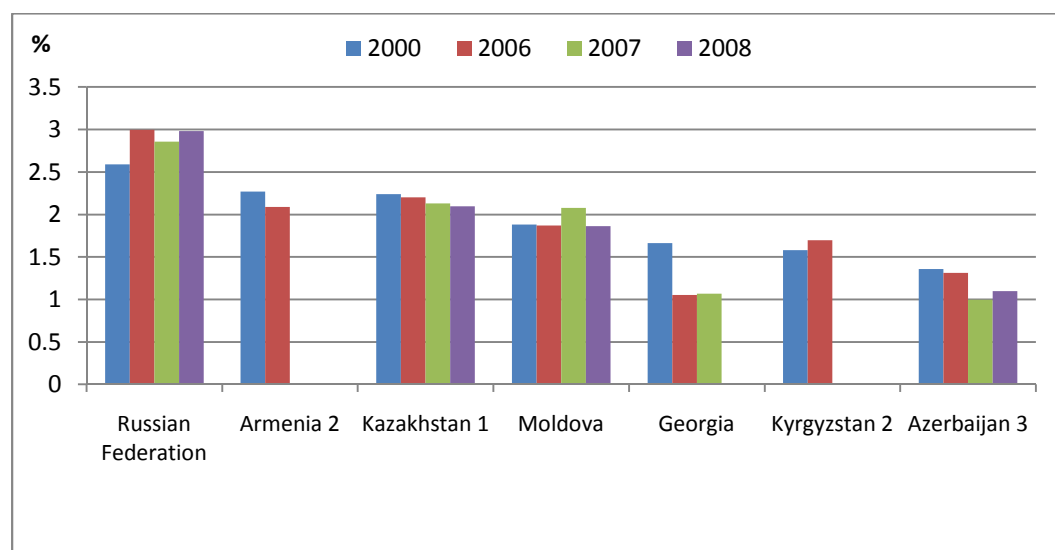


Note: 1 - Base year 2001=0; 2 - Base year 2002=0; 3 - Base year 2003=0

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

Figure 11 shows some decrease in the proportion of staff in the utilities sector between 2000 and 2006 in Georgia, Armenia and Azerbaijan. Overall, between 2000 and 2006, the share of utilities sector employment in total workforce increased from 2.4 to 2.8% for the seven selected countries. In 2008, the share of utilities employment in the four countries with available data remained stable.

Figure 11. Change in utilities sector employment as a percentage of the labour force from 2000 to 2008 in selected CIS countries

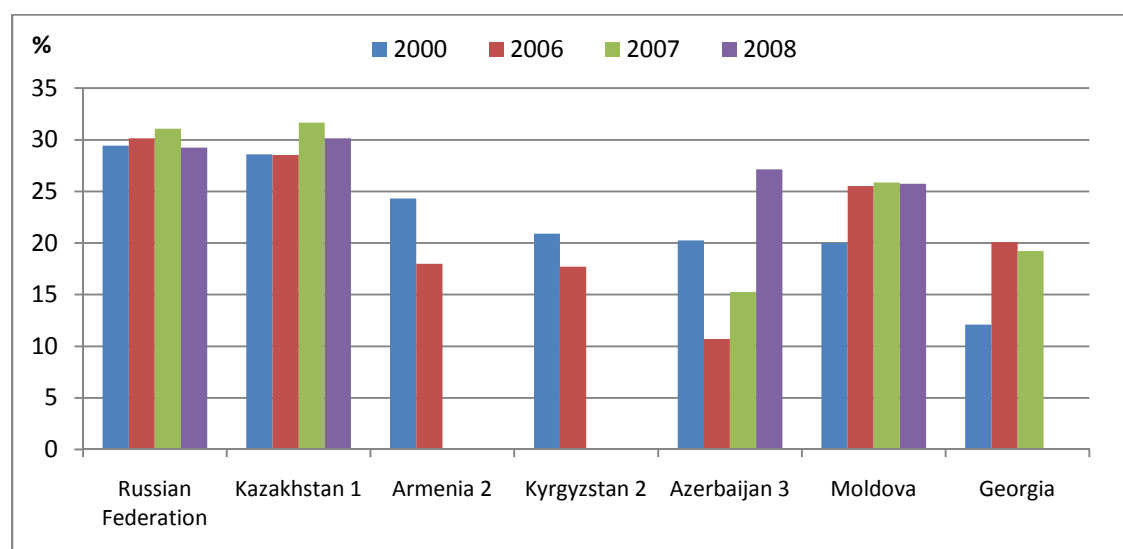


Note: 1 - 2001 instead of 2000; 2 - 2002 instead of 2000; 3 - 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

Between 2000 and 2006, the share of women in utilities sector decreased considerably in Armenia, Kyrgyzstan and Azerbaijan, but increased considerably in Moldova and Georgia. In 2006, female share in employment ranged from 12% in Georgia to 29% in the Russian Federation (Figure 12). Overall share for the selected seven countries comprised 28.6% in 2000, which increased to 29.2% in 2006. By 2007, three of the four countries with available data had increased the share, two of which had also done so in the previous period. Of the four countries with available data between 2007 and 2008, only Azerbaijan considerably increased the share of women employed in the utilities sector.

Figure 12. Change in share of females employed in utilities sector, 2000 to 2008, selected CIS countries



Note: 1 - 2001 instead of 2000; 2 - 2002 instead of 2000; 3 - 2003 instead of 2000

Source: ILO LABORSTA online database, Table 2B on Total employment by economic activity, 2009

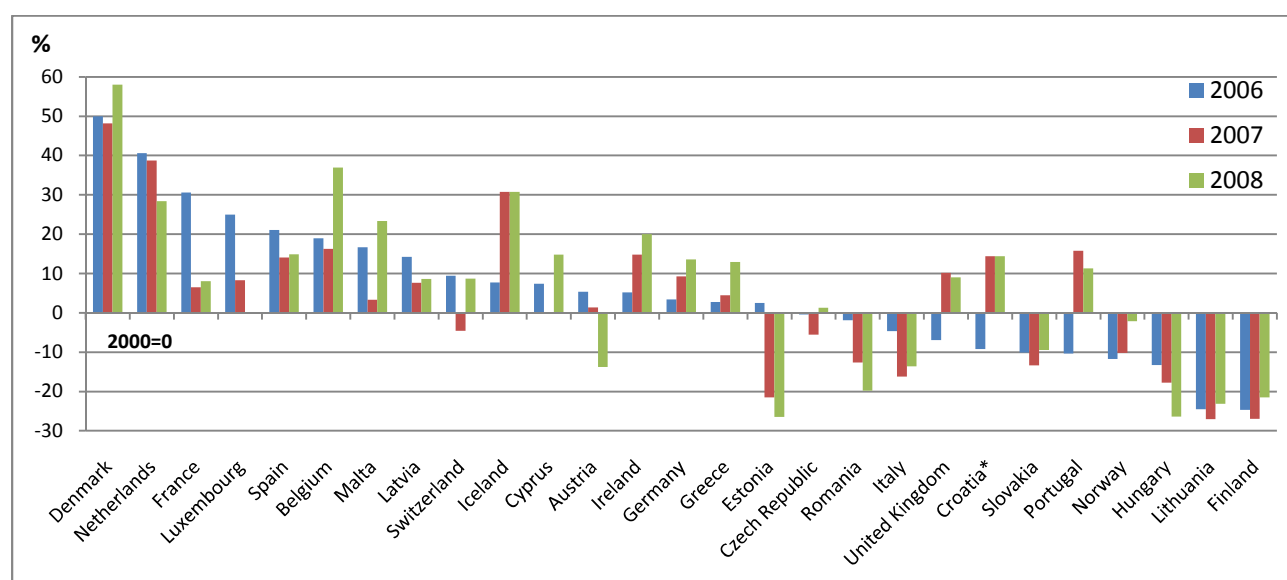
Utilities employment trends in the European region

Figure 13 shows that employment level increased by 3.6% at overall between 2000 and 2006 in the twenty seven countries with available data. Between 2006 and 2007, the overall level of employment for the same set of countries decreased by 2.7%, whereas between 2007 and 2008, it slightly increased by 0.9%.

Employment trends follow different patterns in the selected countries.

- Employment in the utilities increased continuously between 2000 and 2008 in Cyprus, Germany, Greece, Iceland, and Ireland, ranging from 13% to 30.8%.
- It declined consistently in Hungary and Romania.
- In Croatia, Finland, Hungary, Italy, Lithuania, Norway, Portugal, Romania, Slovakia, and the United Kingdom, utilities employment decreased between 2000 and 2006 ranging from 0.4% to 25%.
- In Austria, Estonia, France, Latvia, Luxembourg, the Netherlands and Spain, it increased between 2000 and 2006, but decreased afterwards.
- In Croatia, and the United Kingdom, utilities employment decreased between 2000 and 2006, but increased afterwards. The Czech Republic observed the same phenomenon for 2000-07, since there is no information for 2006.
- The most fluctuating were Belgium, Denmark, Malta, Spain, and Switzerland: their employment level rose in 2000-06, dropped in 2006-07, and increased again substantially by 2008.

Figure 13. Changes in utilities sector employment from 2000 to 2008 in selected European countries (Base year 2000 = 0)



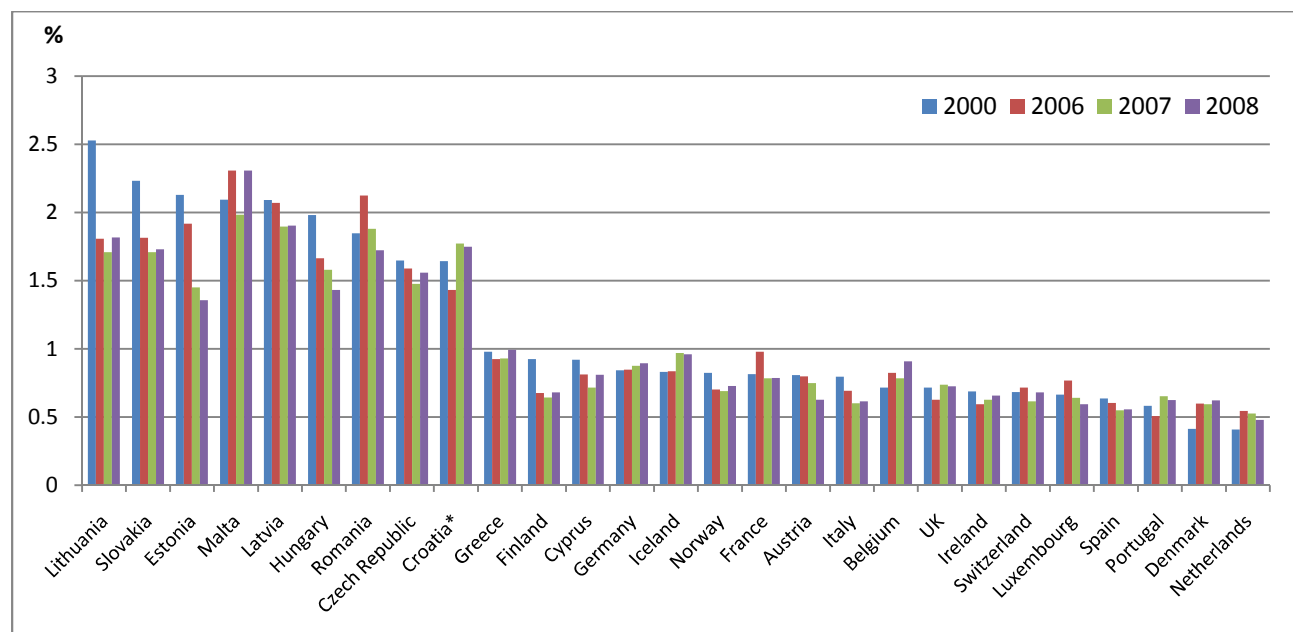
Note: * Base year 2002=0

Source: Eurostat online database, 2009²³

²³ Data downloaded from the online EUROSTAT database, EU Labour Force Survey - NACE Rev. 1.1 (Statistical Classification of economic activities), tabulation category N of which ("Utilities and social work") includes sub-categories as human utilities activities, veterinary activities, and social work activities.

The share of employment in utilities sector in the total workforce (Figure 14) has not changed considerably in most of the selected countries between 2000 and 2006. Overall in these countries, the utilities sector employment share comprised 0.9% in 2000 and 2006, ranging from around 0.4% to 2.5% 2000 and from 0.5% to 2.3% in 2006. In 2007 and 2008, overall share of utilities employment in total workforce was 0.8%, which was a decrease from 2006.

Figure 14. Changes in the share of utilities sector employment in total employment from 2000 to 2008 in selected European countries

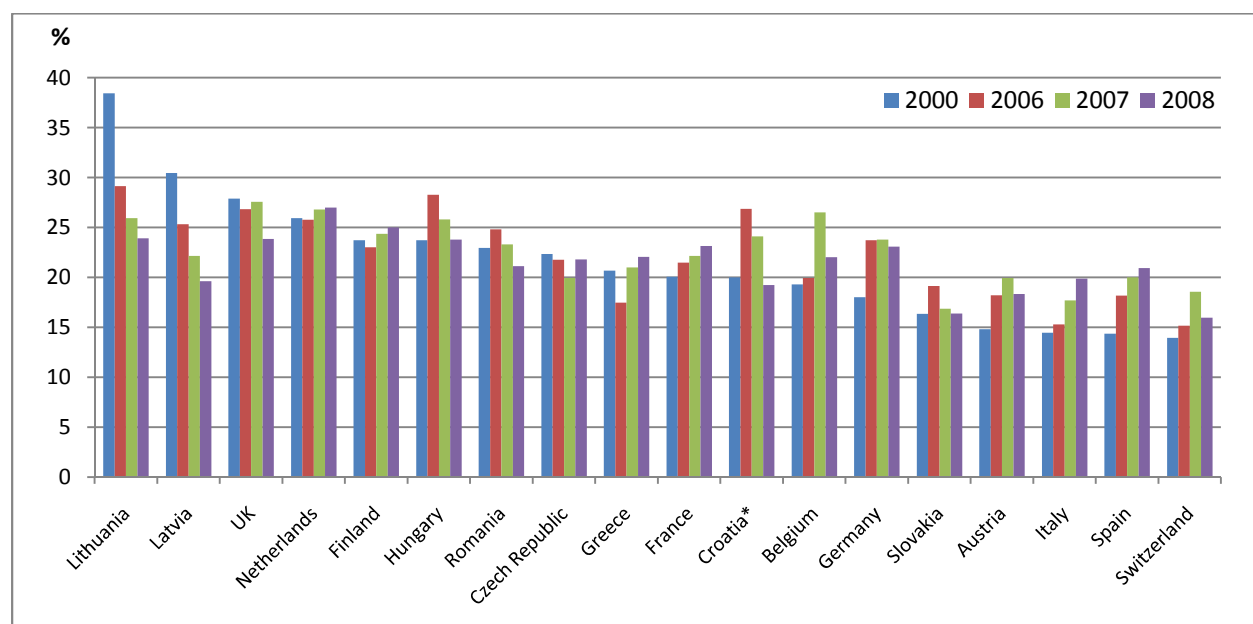


Note: * 2002 instead of 2000

Source: Eurostat online database, 2009

The overall share of women in utilities sector employment for the sample of eighteen countries with available data, increased from 20.7% in 2000 to 22.9% in 2007, and decreased by 2008 to 22.1%. In 2000, the share of female employment ranged from around 14% in Switzerland to 38% in Lithuania (Figure 15). In 2008, the share of women decreased by more than 10% in Lithuania and Latvia, and by around 4% in the United Kingdom.

Figure 15. Changes in the share of women in utilities sector employment from 2000 to 2008 in selected European countries



Note: * 2002 instead of 2000

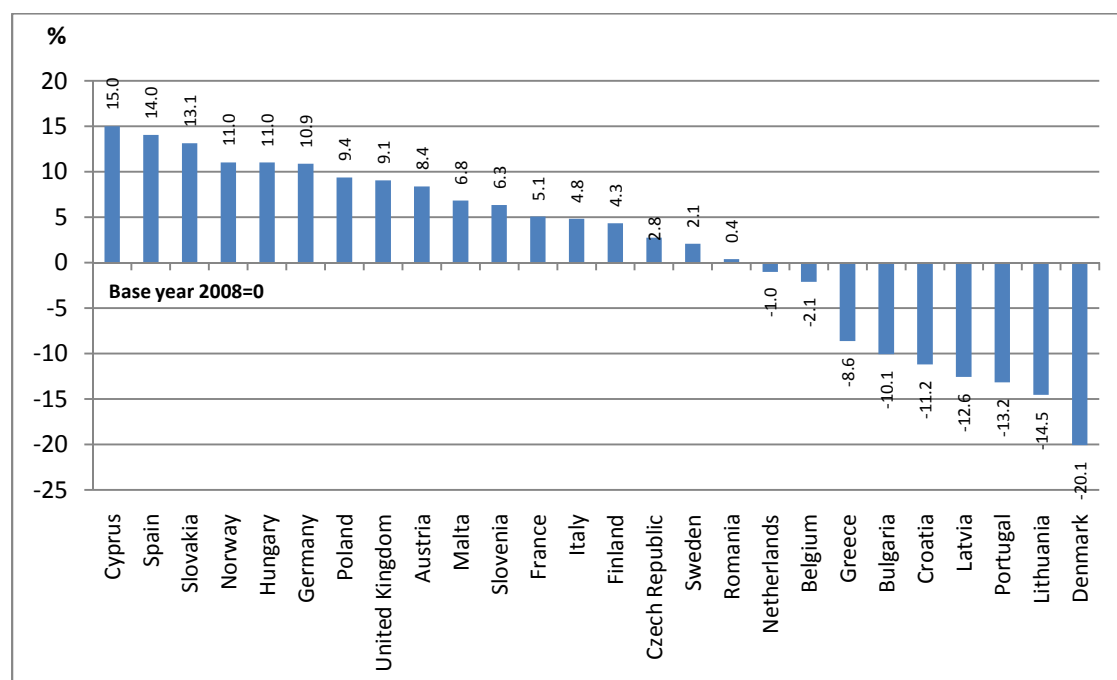
Source: Eurostat online database, 2009

Impact of crisis on utilities sector employment: employment trends between 2008 and 2009

The latest statistics available allow us to track changes in the employment in the utilities sector between 2008 and 2009 in Europe and North America, but the sample is too small to detect trends in Africa, Asia, Latin America and Oceania.

In the European region (Figure 16), employment in utilities sector decreased in the Netherlands (-1%), Belgium (-2.1%), Greece (-8.6%), Bulgaria (-10.1%), Croatia (-11.2%), Latvia (-12.6%), Portugal (-13.2%), Lithuania (-14.5%), and Denmark (-20.1%). Overall employment in the utilities increased by 5.2% for the twenty six European countries with available data.

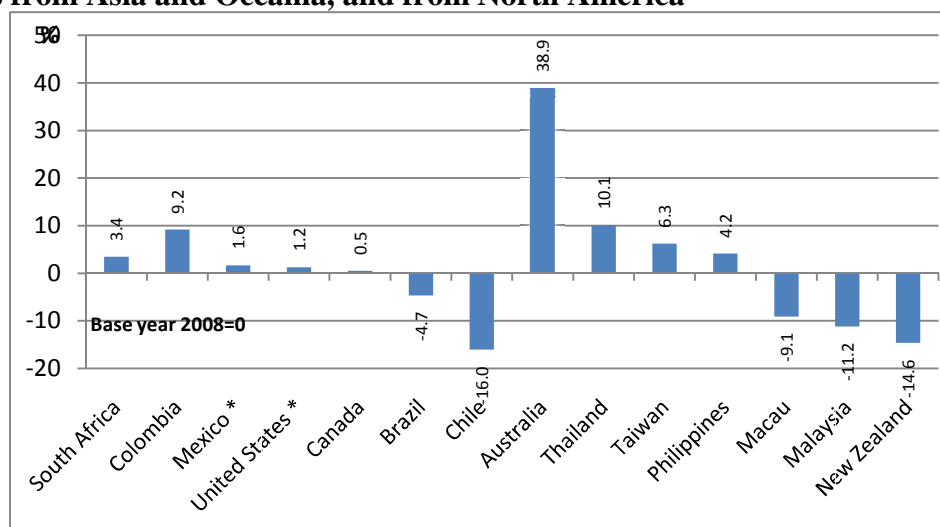
Figure 16. Changes in utilities sector employment between 2008 and 2009 for 26 European countries



Source: Eurostat online database, 2009

Figure 17 shows that in the fourteen countries from Africa, Americas and Asia and Oceania where data was found between 2008 and 2009, employment in the utilities sector increased by between 0.5 and around 39% in Canada, the United States, Mexico, South Africa, Philippines, Taiwan of China, Colombia, Thailand and Australia. In contrast, utilities employment levels decreased in Brazil, Macau of China, Malaysia, New Zealand and Chile, from around 5 to 16%. Overall, between 2008 and 2009 for these fourteen countries, the utilities sector employment level decreased by 2.1%. Thus, the trend in North America is on the rise, but other regions show mixed results.

Figure 17. Changes in utilities sector employment between 2008 and 2009 for selected countries from Asia and Oceania, and from North America



Notes: *Paid Employment.

Sources: National Labour Force Surveys and Official Estimates.

Some country cases reporting on lost jobs in the sector

- In *Australia*, electricity company decided to cut more than 100 jobs;²⁴
- In *the United Kingdom*, national utilities company - National Grid, responsible for the electricity and gas distribution and transmission infrastructure in the UK, has threatened to close their operation in Newcastle and offshore the work to low-wage economies such as India that brings 189 valuable local jobs under threat. The unions are fighting to oppose these cuts and have launched a campaign to keep the Newcastle operation open;²⁵
- In *the United States*, a public utility holding company Alliant Energy Corporation, is cutting more than 150 jobs at its Rock River plant, including 125 white collar and non-union employees. Thirty percent of the firm's high-ranking management were cut.²⁶

Impact on salaries

There have also been effects on the wages of employees of public utilities, as a result of the financing difficulties. In *Ireland*, the electricity company ESB sought to introduce a two-year pay freeze for their workers. Chief executive was taking a 10% pay cut and other senior management in the company planned to take a 5% cut in pay. The company also planned to develop a new pension scheme for future employees that would likely mean the closure of the existing defined benefit pension scheme for new staff.²⁷

In *Thailand*, power and water utility workers have failed to win cabinet approval for a promised extra payment of 2,000 baht a month to cover rises in the cost of living, after workers had taken on extra work in line with the government's downsizing of state enterprises.²⁸

II. Policy responses

1. Policy measures taken or announced during 2009

Most of the world's leading advanced and emerging market economies have adopted stimulus measures to combat the slump in economic activity and employment and evade deflation. In its 2009 report²⁹, the ILO analysed rescue measures undertaken by governments in over 40 countries in response to the global economic recession. Rescue efforts undertaken by countries are divided into three categories: i) financial rescue efforts (guarantee of private deposits, capital injections into banks, buying of "toxic assets" etc.); ii) monetary rescue

²⁴ *ABC North West WA*, News & Information, June 2009, <http://www.abc.net.au/news/stories/2009/06/04/2589369.htm?site=northwestwa>

²⁵ UNISON Press Releases, September 2009, http://www.unison.org.uk/asppresspack/pressrelease_view.asp?id=1561

²⁶ *Employment Spectator*, May 2009, <http://www.employmentspectator.com/2009/05/alliant-energy-cutting-150-jobs/>

²⁷ *The Irish Times*, February 2009, <http://www.irishtimes.com/newspaper/ireland/2009/0210/1233867929570.html>

²⁸ Bangkok Post news, Thailand, June 2009, <http://www.bangkokpost.com/news/local/19004/cabinet-vetoes-wages-top-up>

²⁹ Khatiwada, S., 2009, *Stimulus packages to Counter Global Economic Crisis: A review*, International Institute for Labour Studies, ILO, Geneva <http://www.ilo.org/public/english/bureau/inst/publications/discussion/dp19609.pdf>

efforts (reductions in policy rates, quantitative and/or qualitative easing); and iii) fiscal rescue efforts (new spending on public goods and services, stimulus aimed at consumers like tax cuts and transfers, and stimulus aimed at firms like corporate tax cuts and sectoral subsidies).

According to the report, sixteen out of 22 countries studied have announced spending on infrastructure projects. Some of them are related directly to the utilities sector, which comprises on average around one third of all economic stimulus packages. Infrastructure projects are part of the public works programmes that have been announced in order to create jobs and increase long-term economic growth. Infrastructure projects generally focus on building and repair of roads, bridges, railway lines, and rural infrastructure with attention given to projects already in progress (e.g. China, Germany and Saudi Arabia). Some countries (e.g. China, Japan, Portugal, and the United States) have included energy-efficient projects as part of infrastructure investments. China's stimulus measures in infrastructure include enhancing the construction of sewage and waste treatment facilities. Japan's measures include accelerated introduction of energy-saving technologies, and tax incentives for energy saving technologies. The USA has adopted investments in production of energy from renewable resources.

It is likely that the new infrastructure projects, referred briefly above, and increased funding for local governments will result in more public sector jobs, including public utilities. As of March 2009, some 20 countries of the 40 have made such announcements among them Canada, China, France, India, Mexico and Saudi Arabia. In France, Spain and the United States, job goals include the creation of green jobs.

The emerging green economy sector is also creating employment: in Ireland, one of the finest semi-state utility companies (Electricity Supply Board) announced a series of initiatives to create and sustain up to 6,000 jobs and training opportunities in the sector. Of these, 3,700 jobs are to be created in green economy. This policy includes practical initiatives such as smart meters, smart networks, electric cars, renewable energy, green technology and home insulation.³⁰

On the other side, Poland announced in October a €89bn two-year privatisation programme for 2010 which will include selling publicly-owned power companies to help drive down the high levels of public debt caused by the financial crisis. Poland is the only EU member state that has avoided the recession, but the deficit has soared as a result of the crisis to more than 6 per cent of GDP. The government had planned to sell failure to sell energy company Enea this year, without success.³¹

Stimulus measures for sustainable energy sector

According to the results of survey from executives' interviews from leading power utility companies in major markets around the world (America, Europe, Asia and Africa) published in 2009, large capital investment should be made in the sector³². Much greater financial support should come from the government for renewable energy targets: an estimated cumulative investment of US\$ 13.6 trillion is needed by power industry in the period to 2030.

³⁰ Electricity Supply Board, Ireland, April 2009, <http://www.esb.ie/main/press/press-release352.jsp>

³¹ Jan Cienski and Stefan Wagsty, "Poland to embark on €8.9bn privatisation plan to ease debt," *Financial Times*, 23 October 2009.

³² Price Water House Coopers, 2009, *Utilities global survey 2009: A world beyond recession*, http://www.pwc.com/en_GX/gx/energy-utilities-mining/pdf/utilities-global-survey-2009.pdf

The latest issue of the Ernst & Young's Global Power & Utilities Center's magazine informs about the substantial stimulus funds provided by governments to utilities-related projects such as the transmission of renewable energies and the capture and storage of carbon. The following table shows the size of stimulus packages as at 31 March 2009.³³

Countries/regions	Volume of economic stimulus package	Funds available for power and utilities projects
US	US\$787 billion	US\$65 billion (including tax relief)
China	US\$586 billion	US\$70 billion
European Union	US\$265 billion	US\$23 billion (direct EU contribution, plus national stimulus packages)
South Africa	US\$80 billion	Unconfirmed
Australia	US\$27 billion	US\$2.5 billion (to be spent on green buildings)
India	US\$15 billion	Unconfirmed
Total	US\$1,760 billion	US\$160+ billion

As referred above, the crisis had already reduced between 2008 and 2009 the global upstream oil and gas investment budget by 21% corresponding to the reduction of almost 100 billion dollars, according to the International Energy Agency³⁴. It is obvious that the stimulus package cannot remedy to the full extent this considerable loss.

According to the recent UNEP report³⁵, “the leading governments committed over \$180 billion to *sustainable energy sector* within their various stimulus packages, but there has been a big divergence between countries in the generosity and clarity of their measures. A large monetary stimulus has also been applied through the drop in global interest rates, but although central bank rates are at historic lows, banks are still too worried about solvency to lend. When lending does start to flow, renewable energy projects stand to be among the early beneficiaries, as they produce a reliable stream of revenues from good counter-parties, the utilities”.

World Water Forum

The impact of the global financial crisis on the water sector was addressed by the participants of the 5th *World Water Forum* hosted by the World Water Council in Istanbul during March 2009.³⁶ Decision-makers on a High Level Panel on Finance recommended that investment in water infrastructure be included in the fiscal stimulus packages currently being developed to address the economic crisis. The Secretary-General of the OECD argued that it is critical that countries include specific provisions for funding water projects in stimulus plans, such as the European Union, China, and South Korea have done. The government of the United States allocated over US\$10 billion to water-related projects at local and federal levels, out of a total US\$800 billion stimulus package.

³³ Ernst & Young Global Power & Utilities Center, 2009, *Utilities Unbundled: Analysis and comment on current issues in power and utilities*, Issue 06, June 2009,

[http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/\\$FILE/Utilities_unbundled_Issue6.pdf](http://www.ey.com/Publication/vwLUAssets/Utilities_unbundled_Issue6/$FILE/Utilities_unbundled_Issue6.pdf)

³⁴ International Energy Agency, 2009, *The Impact of the Financial and Economic Crisis on Global Energy Investment*, IEA Background paper for the G8 Energy Ministers' Meeting, 24-25 May 2009,

http://www.envirosecurity.org/gpc/newsandarticles/G8_IEA_background_paper.pdf

³⁵ UNEP, 2009, *Global Trends in Sustainable Energy investment 2009*, http://www.unep.org/pdf/Global_trends_report_2009.pdf

³⁶ The 5th World Water Forum, 16-22 March 2009, Istanbul, Turkey, <http://www.worldwaterforum5.org/index.php?id=1870&L=0>

The Ministers who attended from several countries pledged to mobilize and increase resources from both public and private sources, in particular to achieve the MDGs, and to ensure that they are used effectively. The participants representing local and regional authorities suggested that investment in the water sector be integrated into debt reduction operations, such as exchange of debt against water and sanitation investment. Participants in both the ministerial and the local and regional authorities meetings committed to promote and implement realistic, sustainable and innovative financing strategies for the water sector, recognizing that social and environmental aspects must also be part of the equation. Parliamentarians attending also called for the establishment of a fund for development assistance, based on 1% of national water budgets.

While money might not be available promptly, a key task will be to keep ongoing water infrastructure projects moving - at least through the planning and preparation stages - even if they may not currently be bankable due to the crisis conditions. This will ensure that they can be initiated as soon as the crisis ebbs. Another important priority has been to increase governance and efficiency of existing water and sanitation systems, both in investment and operations, and to bring down costs.

Experts at the Forum stated that "investing in water infrastructure has become one of the key responses to the financial crisis," and that "stimulus money in many countries is being targeted toward the water sector, citing that some \$15 billion is directed toward investment in water infrastructure under the U.S. plan."³⁷ They estimated that the global market, with subsectors including water technology and infrastructure, pollution control, water management and treatment, amounts overall around \$400 billion of stimulus money.

Workers' arguments

The impact of crisis on public services including utilities was discussed at the 8th Congress of the European Federation of Public Service Unions (EPSU) who has agreed a set of action points to tackle the economic and financial crisis. At the Congress, the delegates unanimously adopted a resolution on the financial and economic crisis and its consequences for the public sector and the economy at large. The federation declared that it will seek to prevent that the current crisis is used to diminish the role of government and public services. The affiliated unions also adopted a resolution on utilities³⁸, expressing their commitment to a number of principles and objectives in the utilities sector, among them the following:

- a. Utilities services should be affordable, accessible and of high quality: EPSU prefers public ownership and public control of utilities that gives a guarantee of quality jobs, safe work places and decent pay and conditions;
- b. EPSU favours mainstreaming climate change into EU policy and legislation, development cooperation and investment decisions with clear and ambitious targets. Principles of just transition towards a low or even zero carbon society including for workers concerned based on employment alternatives and training, are to be integrated in EU policy;

³⁷ Reuters news article, Szabo M., July 2009, *Stimulus cash to boost \$400 billion water market: panel*, http://www.reuters.com/article/internal_ReutersNewsRoom_BehindTheScenes_MOLT/idUSTRE5675U220090708

³⁸ EPSU Congress 2009, *Resolution on Utilities*, http://www.epsu.org/IMG/pdf/R7_Uutilities.pdf

- c. EPSU rejects the continued liberalization of energy, waste and water services as part of the EU Internal market or as part of GATS because of the impact on prices, investment, workers and citizens. EPSU advocates cost based, not market based, prices in utilities;
- d. EPSU is committed to a common energy policy which addresses climate change and reduces greenhouse gas emissions, promotes renewable energy, with just and reasonable prices for all users and protecting the interests of low-income users;
- e. A water policy based on water as a human right with high quality standards at prices that people can afford, having regard to the need to protect the poorest and most vulnerable people in society. The water sector must therefore be, remain or where appropriate return under the control of the public sector.
- f. Rational use of water, river basin management, safe treatment of sludge, stringent norms for pollutants and public control thereof aiming for zero pollution at the source; this with involvement of trade unions and the general public through participative mechanisms.
- g. The unions support waste hierarchy of preventing re-use, recycling, waste to energy and finally landfill. The polluter - pays principle to ensure preservation and with high and criminal sanctions, responsibility for the producer and the proximity principle (i.e. treating waste close to where it is produced) are key to any policy. Improvements in public health and environmental protection are ultimately linked with health and safety of workers.

2. Social dialogue processes and crisis negotiations

Social dialogue at appropriate levels, from the workplace to national, is an important mechanism for developing support and commitment to efforts to overcome the crisis. The current global financial and economic crisis presents a serious test for governments and social partners throughout the world, and requires measures to address its heavy consequences for both employers and workers and take into account the vital interests of the population. In these critical circumstances, various forms of dialogue are needed, from the exchange of information or consultations to negotiations, as these can contribute to better, more transparent and more efficient governance. Below are several examples of social dialogue processes in European region.

Europe has a long history of social dialogue practices in the electricity and water utility sectors. EPSU and the European organisation for companies in the electricity sector, Eurelectric started a process of social dialogue in 1995. They discussed issues such as health and safety, vocational education and training, and new technologies. The social dialogue was later joined by the sister Federation EMCEF, and received formal recognition in 2000. The European Social Dialogue Committee was established.

EPSU and the European organisation for companies in the gas sector, Eurogas started a process of social dialogue in 1998. They discussed issues such as health and safety, vocational education and training. A social dialogue forum was formally established and held its first meeting on 15 March 2007.

During 2009, social dialogue processes in the utilities sector have taken place in some European and other countries around the world, with the aim to alleviate the impact of current financial and economic crisis on the utilities sector. These include:

Czech Republic: In February 2009, representatives of the largest national trade union organisation and the leading employer organisations held a meeting in Prague to develop measures to reduce the impact of the economic crisis on the Czech economy. The social partners jointly urged the government to involve them fully in developing measures to cope with the crisis. Moreover, they called on the government to support actions taken by the EU and start to implement them immediately.³⁹

Germany: Energy workers union ver.di and the EON group works council have negotiated in August 2009 a compromise agreement with the company to protect jobs and working conditions for most of EON's 40,000 employees in Germany. The company's planned "perform-to-win" savings programme threatened job cuts and other major changes across the group. The agreement means that jobs, collective agreements, training provision and pensions will be protected until 2012. However, the company still aims to go-ahead with its plans to split off its EON IS subsidiary and sell its IT infrastructure. Ver.di estimates that around 1,000 workers will be affected by these changes although here the union has managed to negotiate some basic protection for the workers concerned.⁴⁰

Norway: In September 2009, unions in the energy sector have managed to secure a change in the way that local pay increases are allocated. Several unions have argued that the local wage increases should be flat, rather than by percentage, which benefit the higher income sectors. A settlement was reached with the aid of the mediation office and a general increase of 925 Krone (€107) applies from 1 July. A committee has also been established to look at how the local wage negotiations will work in the future.⁴¹

3. ILO policy responses and challenges

The ILO and its tripartite constituents have strengthened their efforts in developing a Decent Work response to the crisis, including a Global Jobs Pact⁴² that was adopted at the 98th Session of the International Labour Conference (Geneva, 3-19 June 2009). The Pact is based on the four pillars of the Organization, and constitutes the basis for the ILO's contribution to national decision-making, international cooperation and policy coherence on the crisis. The Pact calls "for coordinated global policy options in order to strengthen national and international efforts centred around jobs, sustainable enterprises, quality public services, protecting people whilst safeguarding rights and promoting voice and participation". It sets out a framework for the recovery that lies ahead, ensuring linkages between social progress and economic development. It involves the following principles relevant to public and private utilities sector:

- a. Devoting priority attention to protecting and increasing employment through sustainable enterprises, quality public services and building adequate social protection

³⁹ The European Industrial Relations Observatory (EIRO) online, August 2009, Hála J., *Social partners take joint action to tackle economic crisis*, <http://www.eurofound.europa.eu/eiro/2009/04/articles/cz0904019i.htm>

⁴⁰ VERDI Presse, Germany, August 2009, <http://presse.verdi.de/pressemitteilungen/showNews?id=097a10d6-8585-11de-760d-0019b9e321cd> (From the EPSU collective bargaining news at: <http://www.epsu.org/r/175>)

⁴¹ ELOGIT news, September 2009, <http://www.elogit.no/index.gan?id=11466&subid=0> (From the EPSU collective bargaining news at: <http://www.epsu.org/r/187>)

⁴² International Labour Conference, 2009, *Recovering from the Crisis: A Global Jobs Pact*, ILC, 98th Session, Geneva, 2009, http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_108456.pdf

- for all as part of ongoing international and national action to aid recovery and development;
- b. Establishing or strengthening effective public employment services, and other labour market institutions;
- c. Ensuring synergies between the State and the market and effective and efficient regulation of market economies, including a legal and regulatory environment which enables enterprise creation, sustainable enterprises and promotes employment generation across sectors.

The general framework of policy packages also includes the following policy options relevant to the utilities sector:

- a. Enhancing the competence and increasing resources available to public employment services so that jobseekers receive adequate support and, where they are working with private employment agencies, ensuring that quality services are provided and rights respected;
- b. Limiting or avoiding job losses and supporting enterprises in retaining their workforce through well-designed schemes implemented through social dialogue and collective bargaining. These could include work-sharing and partial unemployment benefits;
- c. Supporting job creation across sectors of the economy, recognizing the multiplier effect of targeted efforts;
- d. Recognizing that cooperatives provide jobs in our communities from very small businesses to large multinationals and tailoring support for them according to their needs;
- e. Implementing a supportive regulatory environment conducive to job creation through sustainable enterprise creation and development; and
- f. Increasing investment in infrastructure, research and development, public services and “green” production and services as important tools for creating jobs and stimulating sustained economic activity.

The Global Jobs Pact is meant to be developed further and implemented in national policy packages through consultation and social dialogue at international and national levels. It aims to influence key policy instruments such as financial rescue and reform measures, fiscal stimulus packages, and reform of global governance institutions. The policies should emphasize strengthened social protection and employment policies, targeted support to vulnerable groups and sectors, and increased international cooperation mechanisms to ensure that vulnerable countries, as well as those with constrained policy space have sufficient resources to take countercyclical measures. Their success requires maintaining and enlarging aid flows.

In order to prevent the deterioration of labour conditions in general and in the utilities sector, and to build the recovery on decent work, the governments should recognize the relevance of the ILO instruments concerning Collective Bargaining Conventions Nos. 87, 98, and 154, as well as other relevant Conventions and Recommendations of interest to the utilities sector.

ILO policy measures in the utilities sector

The following actions would allow the ILO to advance the decent work agenda and the Global Jobs Pact regarding the utilities sector:

- a. In cooperation with constituents, the ILO could monitor the impact of the crisis and the reforms on the utilities sector by collecting and monitoring relevant data, and analysing trends in employment; prepare and maintain a database of policy responses and best practices, and updates on the implementation of the Global Jobs Pact, in cooperation with other international organizations.
- b. The ILO could identify the critical challenges facing the utilities sector and outline possible measures which could mitigate the effects of the global recession with a focus on decent work aspects.
- c. The ILO could strengthen the capacity and political will to gather employment statistics and keep them up to date.
- d. As highlighted in the Global Jobs Pact, the ILO could collaborate with the United Nations and other relevant international governmental and non-governmental organisations on the issues of shifting to a low-carbon, environment-friendly economy that helps accelerate the jobs recovery, reduce social gaps and support development goals and realize decent work in the process.
- e. The ILO could provide assistance at the regional and national levels so the governments and the social partners may address the social and labour dimensions of the global economic and financial crisis as well as reform processes, and to develop responses through sectoral social dialogue and consultations between the parties involved. This could include scaling up the social dialogue capacity building of social partners in the sector.
- f. During the response to the crisis, the ILO could promote key ILO policy instruments, as a number of relevant international labour Conventions and Recommendations, in addition to the fundamental Conventions. The response could include financial rescue and reform measures, fiscal stimulus packages and targeted support to vulnerable sectors or groups in the form of conditional cash transfers or other rescue measures as outlined in the Global Jobs Pact.