



EMCC company network

Case example of Electricité de France Group

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European Monitoring Centre on Change

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Company background

Electricité de France (EDF) is a leading player in the European energy market. With a generation capacity of 130 GWe (of which 99 GWe is generated on French territory), it has the largest generation fleet in Europe. EDF operates in all sectors of the electricity industry. This includes both the deregulated activities of generation, supply and trading, and the regulated activities of transmission and distribution. The Group's primary market is France, but it has a solid presence in the United Kingdom, Germany and Italy, as well as subsidiaries in Spain, Poland, Hungary, Slovakia, Belgium, Austria and Switzerland. The European market represents a turnover of €51 billion generated from 37 million customers of whom 28 million are in France.

Like all the other European energy players, the EDF Group has been affected by the process of liberalisation of the activities of generation, supply and trading of electricity. France has been relatively late in implementing the European directives relating to the opening up of the electricity market to competition and will not see a free market for electricity for residential consumers until July 2007. This change will have implications for EDF's strategy and the deployment of its workforce.

The EDF Group has approximately 160,000 employees worldwide, of whom 109,000 are in France. Because of the nature of the EDF's past activities, many of these workers have a technical profile. About 70 per cent of the company's employees in France are in technical occupations related to the production of electricity, management of transmission networks or the distribution of electricity to individual customers. However over the past ten years the prospect of the opening up of the electricity market to competition has resulted in a gradual increase in commercial occupations. Because of the need to address the competition from other suppliers, more attention than in the past is being paid to sales activities and the provision of advice to customers. Approximately 30 per cent of EDF's staff in France work in such commercial roles or in support services, such as the provision of HR and ICT services. A hierarchical breakdown of the workforce shows that 22 per cent are operatives, 53 per cent are supervisory staff and 25 per cent are managerial staff.

EDF as lifetime employer

Staff turnover

The employment relationship at EDF is quite specific to the company. A norm of lifetime employment has developed over many years as a result of several different mutually supporting factors: excellent employment conditions; relatively high salaries; secure labour contracts offering a high degree of protection; the possibility for voluntary mobility both between different functions and geographically (between different sites); and the monopolistic position of EDF in the energy market which has meant that the job-specific skills could be acquired nowhere else. The guarantee of lifetime employment has also formed an explicit part of the company's strategy.

As a consequence, employees rarely leave EDF for reasons other than retirement. Voluntary external job mobility is almost non-existent with less than 0.5 per cent of the workforce leaving the company voluntarily in any given year. Forced job mobility is also very limited and only takes place in cases where there are strong incompatibilities between the employer and the employee. Contrary to expectations, younger generations of workers are no more likely to want to leave the company voluntarily than their older colleagues. In a very short space of time, they adopt the same reflexes and habits as earlier generations and settle into the expectation of a job for life with EDF.

The company would, however, prefer higher voluntary external job mobility among its workers, calculating that a higher labour turnover would allow it greater flexibility in adapting employment to the actual needs of the company. In line with this reasoning, EDF promotes exits. For instance, it has developed a very active policy of encouraging employees

to set up their own businesses and supporting them in doing so. Around 200 employees per year take advantage of this programme, but these numbers make little impact on a total workforce of 109,000 employees.

The system of lifetime employment has both advantages and drawbacks. A major advantage is that, because nearly all departures take place through retirement, EDF can forecast its staff capacity with great precision and need not fear the development of unexpected skills shortages. On the negative side, however, it is difficult to adjust staffing levels to deal with market fluctuations, especially in periods when expansion is not foreseen.

Recruitment and selection

Recruitment is only carried out at the lowest hierarchical level within the company, with senior positions filled from below. A typical starter at EDF has just graduated or has built up, at the maximum, five or six years experience on the labour market. Differentiating by qualification, three levels of recruitment can be distinguished:

- *Baccalauréat* (secondary education): operators;
- *Bac* + 2 (secondary school, supplemented with a degree of approximately two years): technicians;
- and *Bac* + 5 (secondary school, supplemented with a university, polytechnic or other advanced degree): graduate engineers and (future) company executives.

Only on very rare occasions are workers aged 30 years or older recruited. In the past, the company has had negative experiences with external recruitment to higher levels within the organisation. EDF's unique position as a monopoly supplier in the French electricity market has meant that there are few external people with the necessary general skills. This is exacerbated by the fact that EDF is also an organisation with a high demand for company-specific skills, having developed its own proprietary systems in many domains (e.g. accounting). External candidates therefore find that the skills they have acquired in earlier jobs are of no use at EDF, and at the same time, it is difficult for them to assimilate to EDF's specific culture and systems. These negative experiences, and the fact that the company has made a social promise of guaranteed employment to its employees, have created a situation where a typical career involves neither recruitment nor dismissal. With such a closed internal labour market there is a strong need for internal job mobility to allow the company to respond to the constantly changing market environment.

Corporate mobility and competence development policy: the flexicurity approach

Because of EDF's role as a lifetime employer, it is no surprise that internal job mobility is an important tool for the company. The strategy it has adopted to encourage this can be defined as a system of 'flexicurity'. In this model, in order to be able to maintain security, in the form of guaranteed employment, there is a need for flexibility, in the form of internal job mobility. This flexibility, by making the company more competitive, in turn contributes to providing more security. Although very clear in theory, the system is not always easy in practice. Because of the history of lifetime employment within the organisation, EDF's employees tend to take the 'security' part of flexicurity for granted but often forget that its necessary counterpart is 'flexibility' - i.e. internal job mobility.

Despite these difficulties, EDF claims to have been fairly successful in generating and managing internal job mobility among its employees. Annually, between 15,000 and 20,000 employees of EDF France change jobs within the company. This may involve a move to a different job within the same profession or a shift to a different occupational group. In about 80 per cent of these job changes, geographical mobility is not necessary or only very limited (for instance within the same region). However, 20 per cent of the job mobility that takes place each year does involve significant geographical mobility.

Approximately 75 per cent of the internal moves can be classified as promotions. Personal development and building a career within the company remains the most important reason for internal job mobility. A second reason for internal job mobility, whether or not it involves a promotion, results from employees' own personal needs or choices, for instance when workers wish, for family reasons, to move to another region but to retain their employment with the organisation. EDF also encourages workers who want to change their occupation within the company to do so. The final reason for internal job mobility is to serve the needs of the company itself. The number of people needed in a certain activity or plant may change over time. In such cases, internal job mobility is a way of adjusting the supply and demand for labour within the organisation.

Internal job mobility is a high priority for EDF. For this reason, in 2005 the company created an Employment Division, with a strengthened regional representation, dedicated to managing employee mobility. In the words of the company's 2005 annual report, 'through its deliberate strategy of redeployment, the company promotes internal mobility from mature to new and growing business areas'. These growing business areas include nuclear supervision and maintenance, technical jobs in electricity networks, customer interface, on-line sales and customer technical support.

From its broad experience of promoting internal job mobility, the company has been able to identify some key critical success factors. Firstly, it is important that workers have clear information on the internal employment market. They need to know in which business areas activities are decreasing and where new opportunities are arising because of expanding activities. Secondly, marketing and communication are crucial. They have been found to play a much more important role in encouraging people to change jobs within EDF than traditional HR measures. Thirdly, it is important to incentivise managers. A problem sometimes encountered was that line managers were found to be countering internal mobility by trying to keep good employees within their own service. In order to deal with this problem, EDF has included internal mobility objectives in the contracts of its line managers and rewards them when they reach their goals relating to staff mobility. A final success factor for job mobility within EDF is the support given to employees when they move, not just in terms of logistics but in relational terms. In practice this means that both the new and the old line manager are required to pay attention to the wellbeing of the employee in his or her new job and provide coaching during the important period of transition.

Lifelong learning at EDF

Training and skills development: a constant requirement

The high internal job mobility in the company creates a very high demand for training and skill development at EDF, especially when placed in the context of the company's strategy of recruiting people at the beginning of their careers and training them from scratch. To these must be added the already high training demands resulting from the technical nature of the electricity industry and the associated high safety requirements. It is crucial that priority is given to the sustaining the competences of people involved in risky functions such as the maintenance of the electricity network or the production of nuclear fuel.

These three factors result in very high investments in training and skill development. In 2005, the company devoted 6.9 per cent of its wage bill to training, resulting in 77.6 per cent of its employees receiving training during that year. The average trainee followed 46 hours of training. Spread across the whole workforce, this represents an average of 36 hours of training per employee per year. It is clear however that not all employees have the same training needs.

Training for all workers?

A large share of these training resources is devoted to the newly recruited employees. Getting new workers started can take up to several months of intensive training, especially when they will be employed in highly technical or risk-prone functions. The company provides this willingly and does not fear that employees will become 'free riders' who take these

skills with them to other employers because of the strong tradition of lifetime employment within EDF. It considers that the company itself will reap all the benefits from these initial training investments.

A second group of important training beneficiaries are the technical workers with their permanent need for skill maintenance, acquisition of new techniques and health and safety instruction.

However they are by no means the only beneficiaries: workers in support services such as accounting, ICT and HR are also given the opportunity to develop their skills through additional training at EDF.

Purpose of training and skills development

When looking at the breakdown of training investments by training outcome, it shows that 72 per cent of training investments are made for immediate business needs. Health and safety are responsible for another 20 per cent. Both of these are typically very high in a company active in the production and distribution of electricity.

Managerial development and competences and potential development each account for four per cent of annual training expenditure. This final eight per cent of investment, over and above the general investment in immediate needs and in health and safety, can be regarded as EDF's investment in the maintenance of the (internal) employability of its workers. With the opening up to competition of the deregulated activities of the company and the increasingly unpredictable market environment, it is possible that workers will have to be retrained for positions that are entirely different from those they were originally recruited for.

Organisation of training at EDF

EDF has until very recently had its own training service with training institutes all over France. In-house training at EDF is provided by workers who take up this position for four years, after which they return back to the field. Training courses can include both classroom sessions and training on the job. EDF is also expanding its e-learning provision to cover not only managerial, HR and financial courses but also some technical training in the organisation. Formal recognition of these training courses is not highly developed. EDF has no other system than the bilan de compétences, but believes that, with the promise of guaranteed employment, formal recognition of the acquired skills is not an issue for its workers.

The department has recently restructured, devolving its functions to different branches of the company and reducing the number of workers involved solely in in-house training from 1,500 workers to 500–600 employees. It will continue to draw on external trainers where possible but this is not expected to account for more than 30–40% of all training. Training in core technical skills for workers active in the production of electricity and the maintenance of the network will not be provided externally until serious competitors emerge in these business areas.