



Public Services contribution to smart, sustainable and inclusive growth

SGIs in the EU - New Skills

Client: CEEP

Rotterdam, June 6, 2011

The aim of this fact sheet is to provide participants in the conference the 16-17 June with information to grasp the complexity of the various selected topics. As a second step, this document highlights some links with current EU policies and suggest points for debates.

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Final Report

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Table of contents

Innovation and R&D	Erreur ! Signet non défini.
Executive Summary	Erreur ! Signet non défini.
Points for discussion and debate	Erreur ! Signet non défini.
1 Innovation and R&D	Erreur ! Signet non défini.
1.1 Introduction	Erreur ! Signet non défini.
1.1.1 Innovation in the EU- international comparison	Erreur ! Signet non défini.
1.2 Role of SGIs in Innovation and R&D	Erreur ! Signet non défini.
1.2.1 SGIs play an important role as innovators	Erreur ! Signet non défini.
1.2.2 SGIs play an important role as innovation facilitators	Erreur ! Signet non défini.
1.2.3 SGIs play an important role as innovation initiators	Erreur ! Signet non défini.
1.3 SGI performance in innovation	Erreur ! Signet non défini.
1.3.2 Changes in the nature of demand	Erreur ! Signet non défini.
1.4 Challenges to innovation in SGIs	Erreur ! Signet non défini.
References	Erreur ! Signet non défini.
Books and online reports	Erreur ! Signet non défini.
Websites	Erreur ! Signet non défini.

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Executive Summary

Services of General Interest (SGIs) play an important role both as employers and as services providers in the European context. As services-providers, they cover a wide range of services including public administration, health, education, public transport, railway services, postal services and electricity, and they employ around 30% of the labour force in the EU. Recent developments in the EU context such as the changes in quality and quantity of market demand, the ageing population, the emergence of new work organisations, the technological changes and the financial crisis have caused a change in the profile of SGIs labour force.

The skills changes across SGIs varied considerably among the different sectors, but in general terms the new needs in the labour market are not met by the skills that the labour force has, thus showing both a mismatch and shortage of skills in SGIs. Both issues are the manifestation of a number of more specific problems, such as the lack of public finance, the formalities associated with training, the lack of understanding of specific sector's skills needs, the lack of understanding of the impact of the changes in the labour market on the supply side, the inability of SGIs to attract highly skilled labour, the ineffective performance based systems, the loss of valuable skills from SGIs and finally the lack of an interactive mechanism that can define skills gaps within SGIs.

The EU acknowledged the importance of addressing the mismatch and lack of skills in the labour market in general terms and adopted actions to address it. These actions are applicable to SGIs-being part and parcel of the EU labour market. However, other specific actions should be taken in order to address the SGIs specific challenges.

Questions for discussion

- What are the most important challenges facing SGIs for skills development in the present time?
- What are the challenges on policy level? What are the challenges on organisational level?
- What are the measures that should be taken by each sector to address these challenges?
- What are the policy measures that need to be taken to address these challenges?

1 SGIs in the EU- New Skills

1.1 SGIs in the EU

The Services of General Interest (SGIs) play an important role both as employers and as services providers in the European context. As employers, SGIs employ around 64 million people equalling around 30% of the labour force and are contributing to more than 26% of the European GDP. As services providers, they cover a wide range of services including public administration, health, education, public transport, railway services, postal services and electricity. They provide an important infrastructure for the growth of private businesses and the European citizen's quality of life, thus the knowledge and skills of their workers are crucial elements for the effectiveness and the efficiency of service delivery. This notion goes in line with what the European Council highlighted in March 2005, when it referred to the knowledge, innovation and optimization of human capital to increase productivity and growth potential as a means to “*renew the basis of [the EU's] competitiveness*” (European Council 2005, p.3).

1.1.1 Problem Statement: shortage and mismatch of skills in SGIs

Recent developments in Europe are causing shortage and mismatch of skills between labour demand and supply; statistics indicate that around 80 million people (one third of the labour force) in the EU have low or basic skills, suggesting the need for skills upgrade, since the projections of 2020 indicate that 16 million jobs will need higher qualifications (EC 2010, p. 20). SGIs are not an exception to the problems of mismatches and shortages of skills as per Table 1.

Table 1 Reported skills mismatch and skill shortage by SGIs

SGI	Skill challenges	Functions
Postal services	Shortage of skills	Information technology, finance, banking and retailing
	Customer service skills	Other functions
Rail and public transport	Skill shortage	General and operational management, information technology, engineering, sales
	customer-orientated skills	Other functions
Electricity	Decline in technical and technological skills	Craft and engineering levels
	Shortage of new skills	Sales, marketing
Health and social services	Shortage of skills	Technical knowledge (doctors and nurses)

Source: Ecorys, adapted from CEEP (2010)

As mismatches between labour demand and supply affect employment negatively and impede growth, the EU 2020 strategy recognizes these effects and aims at increasing the employment rate to 75% in the EU. SGIs can play a substantial role in achieving this target by supporting the implementation of policies through education and training and in their role as large employers. Addressing the lack of skills and skills mismatch for SGIs is therefore a crucial element for SGIs contribution to achieving the EU 2020 strategy employment goal.

1.1.2 Understanding the causes of the problem

Labour market demand is a strong determinant of the skills supply in a given society. It determines the quantity and quality of skills needed to fill in any job function. If the quality of jobs and functions available in the market are mirrored in the existing skills supply, then both supply and demand are in a perfect match. But, labour market demand is not a constant parameter; it changes over time due to changes in societies, i.e., social, economic or environmental pressures. Thus the changes caused by these factors affect the quantity and type of skills at the demand side. In recent years, the demand for jobs in the SGIs has changed considerably due to a few factors:

Increased competition and commercialization of the public service

Following several liberalisation processes mainly in network infrastructure some SGIs are no longer restricted to operate within their own boundaries and “internationalized” their services to operate cross border (intra EU) such as the postal and the electricity services. Internationalization and increased competition from new entrants in the market provides incentives for cost reduction. This latter often results in the use of more efficient and more profitable business models. SGIs responded differently to these changes, but in general terms, restructuring and reforms have been observed in the form of a few strategies:

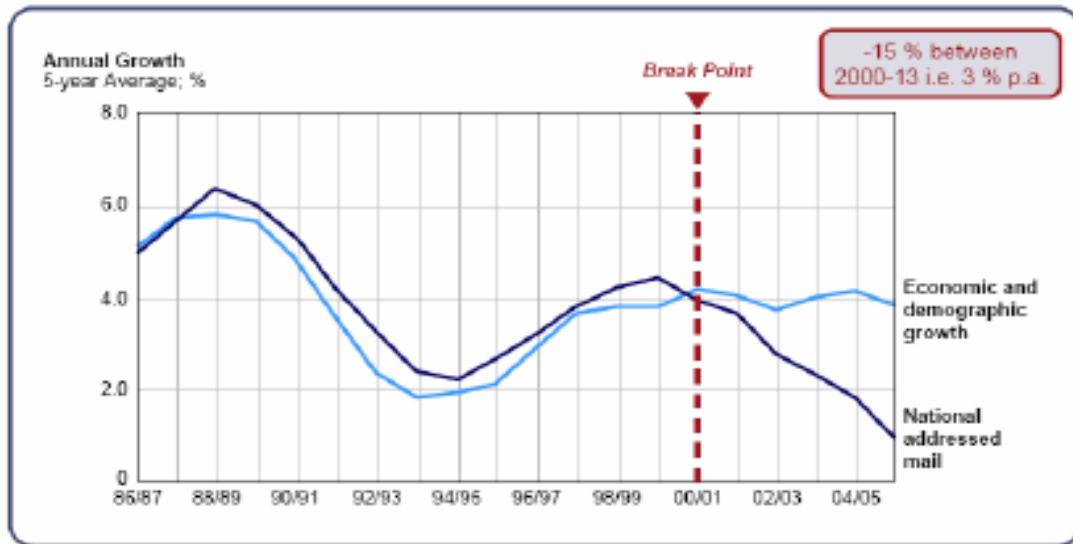
- The introduction of new management processes
- Increased use of outsourcing and offshoring;
- Horizontal diversification of activities thus creating new horizontal functions, such as banking, insurance and logistic services (e.g. postal services)
- Mergers and acquisitions
- Corporatization of state owned public service providers

This latter strategy has brought about what is now called “the new public management approach-NPM”, in which, governments are urged to adopt the management techniques and business values of the private sector where the contractual relations focus on controlling outputs rather than inputs. In practical terms, this translates into greater focus on performance management, leadership skill and quality management. NPM also includes the acknowledgement of entrepreneurial skills and market mechanism as performance drivers.

Change in supply and nature of demand

Changes in supply and demand for public services have changed considerably in the past few years. While some services have shown increased demand in terms of quantity, such as the health and social services, others have shown decrease in demand such as the traditional “mail delivery” (in postal services). Figure 1 depicts the declining volumes of national addressed volumes of mail from 2001 onwards. This decline is attributed to the increased competition from e-substitution (Wild, A, 2009, p.6)

Figure 1 Demographic and economic change and post volumes

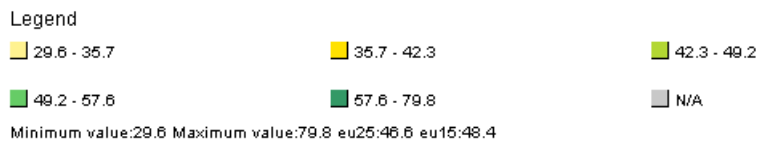
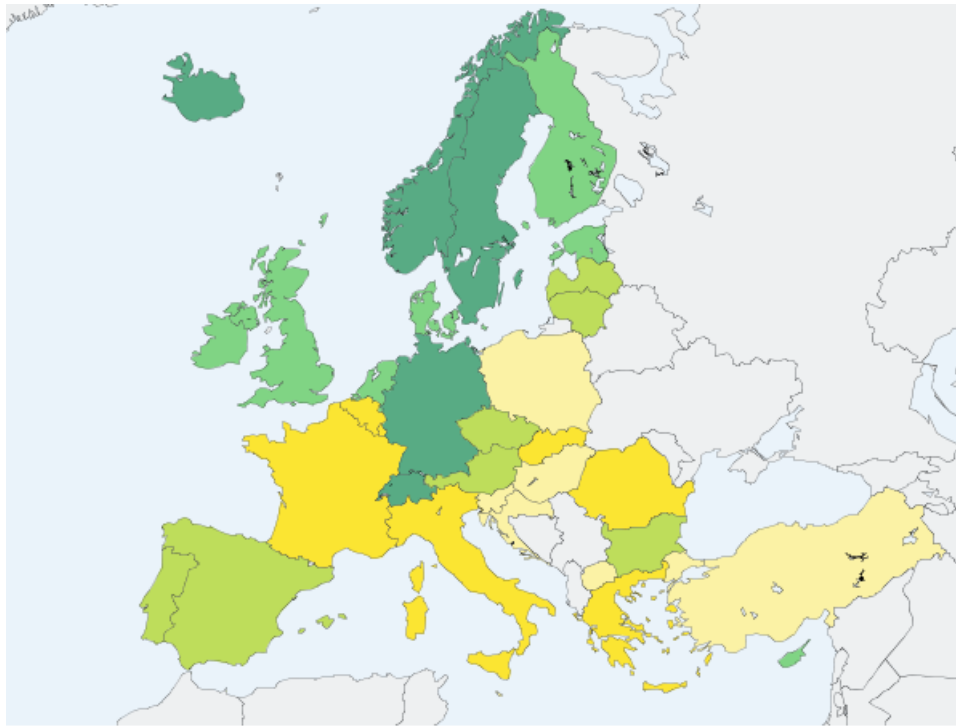


Source: Wild, A, 2009, p.7.

Also, the supply side of some services have considerably declined particularly in health, social services, and engineering posts in public transport and energy. Changes in both supply and demand are attributed to the demographic changes and the rapid technological advancement.

Demographic changes in Europe affect both the supply and demand side of SGIs. On the demand side, the number of people reaching the age of 60 in 2010 increased twice as it did before 2007. Providing services to an ageing population will impact the set of skills required in SGIs. For instance, in public transport, an ageing clientele will have mobility restrictions having therefore an impact on technical requirements, and on the services provided, such as drivers who can assist elderly people to board the bus or tram. On the supply side, the number of ageing employees in the public services is increasing and, soon, a large number of workers will retire. In general terms, the general distribution of older workers employment in the EU is shown in Figure 2.

Figure 2 Employment rate of older workers (between 55-64) in the EU



Source: EUROSTAT

In more specific terms, SGIs face the same challenges, where the majority of employees are aging as per Table 2.

Table 2 Demographic changes- SGIs

SGIs ¹	Employed population
Education	15% less than 30 years old > 25% over 50 years old
Postal services	> 40 years old
Electricity	> 50 years
Rail & Public transport	> 40 years
Health	Nurses average ages: 41-45 (Sweden, Norway, Denmark, Iceland and France), > 50 in the UK Physicians: 60% > 45
Central Administration	No data- but ageing in general
Local and regional administration	No data is available, but ageing in general

An ageing population within SGIs defines the set of skills and competencies of staff. On the one hand, older generations are often perceived as being “resistant to change” particularly in terms of adoption of new technologies, embracing new knowledge or being constantly in a learning mode. This notion does not imply an underestimation of the older employees’ capacity or importance,

¹ Data in this table are based on the “sectoral reports” from the project co-funded by CEEP “Anticipation of Change in Public Services” published on CEEP website:
http://www.ceep.eu/index.php?option=com_content&view=article&id=151&Itemid=135

because they have experience and knowledge that can be useful to younger and less experienced employees. In reality, the fact that older generations will soon retire means the loss of substantial knowledge and experience. The fact that one of the EU objectives is to create a knowledge based society, will require “capitalizing on” and capturing knowledge at all levels.

The rapid technological changes tremendously affect SGIs. Fast pace technological changes including the introduction of e-communication, higher speed and higher quality public transport, new technologies deployed in medicine and diagnosis increased the expectations of customers of public services. Citizens are increasingly demanding higher quality and faster provision of services.

“In the railway sector, there is no technical education for rails builders. This skill is only transferred from generation to another”
Angelo Caragiuli: CEEP- Chairman of working group on skills and training

From the supply side, many public service organizations are increasingly keen on improving the image and quality of their services through the application of new technology. The introduction of these technological changes in various SGIs influenced the type of skills and competencies of staff handling these systems.

Box 1 ICT impact on roles and skills within the health sector- UK

The introduction of ICT in the health sector in the UK is expected to have a strong impact on the skills and roles of the employees of the sector, for example:

- Many will need to understand the basic ICT systems so as to perform their tasks. This implies- in general terms, the increase in levels of functional/key skills;
- Data-handling skills with respect to confidentiality and security will become more important;
- As ICT developments bring in remote services such as diagnostics, or even surgery, within a closer reach, there is a range of potential developments for the sector’s professionals and clinicians;

Source: Skills for Health Research and LMI Team, 2011, p. 18

Environment and climate change

Environment and climate change is one of the five areas of action defined in the EU 2020 strategy. According to the strategy “*Climate and resource challenges require drastic action*” ... “*Resource efficient Europe to help decouple economic growth from the use of resources, by decarbonising [the] economy, increasing the use of renewable sources, modernising ... transport sector and promoting energy efficiency*” are all visions with strong implications on labour force for all enterprises in Europe. As such, SGIs are encouraged to “green” their products. For example, greening the postal services means the introduction of recycled paper or cardboard for parcels, and the introduction of low energy express mail delivery, greening the transport sector means the introduction of energy efficient means of transport and so on. Changing the quality of products requires acquiring the set of skills to carry out this change. In practical terms, this means the change of the skill set of the sector’s staff to include also environment related knowledge. The following example depicts such possible changes:

Box 2 Awareness and Advocacy Training In Sustainability and Climate Change For Public Health

Building on the argument that “Public Health trainees are the Public Health consultants of tomorrow and are well placed to become a source of leadership, expertise and guidance concerning sustainable development”, the National Health Services in the UK is providing training in Sustainability and Climate changes to its professionals.

The training curriculum aims at improving the competencies of Public Health trainees to take action on climate change and is complementing the current curriculum of the Faculty of Public Health. It builds on the generic skills of awareness raising, advocacy and change management that are delivered by that curriculum.

National Health Services- UK

Trainees –UK

The new skills needed for SGIs

As demonstrated above, the contextual trends occurring in the EU in the past few years obviously created changes in the SGIs labour market demand both in terms of quality (type of skills) and quantity (number of jobs). These changes have also created a few consequences:

Changes in quantity of demand led to Intensification of work performed by workers

The reduction in labour demand due to fiscal consolidation measures lead in many sectors of SGIs to the reduction in labour demand (except for health and social services) and the number of staff. The direct implications of such job losses are that organizations need to do the same work/more work with fewer human resources. In practical terms, this means that the amount of work required to be performed by one employee has substantially increased.

Changes in quality of demand led to changes in the job profiles of employees

In general terms, the competencies of SGIs staff are not very much different from competencies of other service sector branches. Regardless of the different levels of sophistication of knowledge across the sectors, a new set of skills relevant and applicable to all the sectors with varying degrees of importance has emerged (Figure 3):

- **IT/ Communication/networking/team-working** skills are more and more important as a result of the increasing outsourcing and the need to work with several suppliers and several internal clients.

Box 3: Australia- Productivity Places Program

The Australian government funds partnership between the Australian public sector and training institutions for the up-skilling of their existing workers under the banner of the Productivity Places Program (PPP). Several training topic are covered by this program:

Business services, community services, property services, visual arts, craft and design, food processing, financial services, health, information and Communications, telecommunications, asset maintenance, public sector, public safety, amenity horticulture, animal care and management, retail services, tourism, hospitality and events, fitness, sport, transport and logistics, horticulture, furnishing.

Source: <http://www.openlearning.tafe.qld.gov.au/corporate-training/index.html>

- **Entrepreneurship** and business development skills are highly needed and appreciated due to the changes in management techniques and the increased emphasis on entrepreneurship spirit and business development skills;
- **Learning abilities/ flexibility** to change are important elements in employees profiles as a result of the intensification of work;

Box 4- Training in Germany

The German VDV academy for public transport organizes training and posts information on their web portal: <http://www.vdv-karriere.de/> for young people and students highlighting the employment opportunities in public transport, while elaborating on the many different possibilities to enter the sector via apprenticeships, university studies and other forms of job training. It also offers a database with many job listings from a large number of German transportation companies.

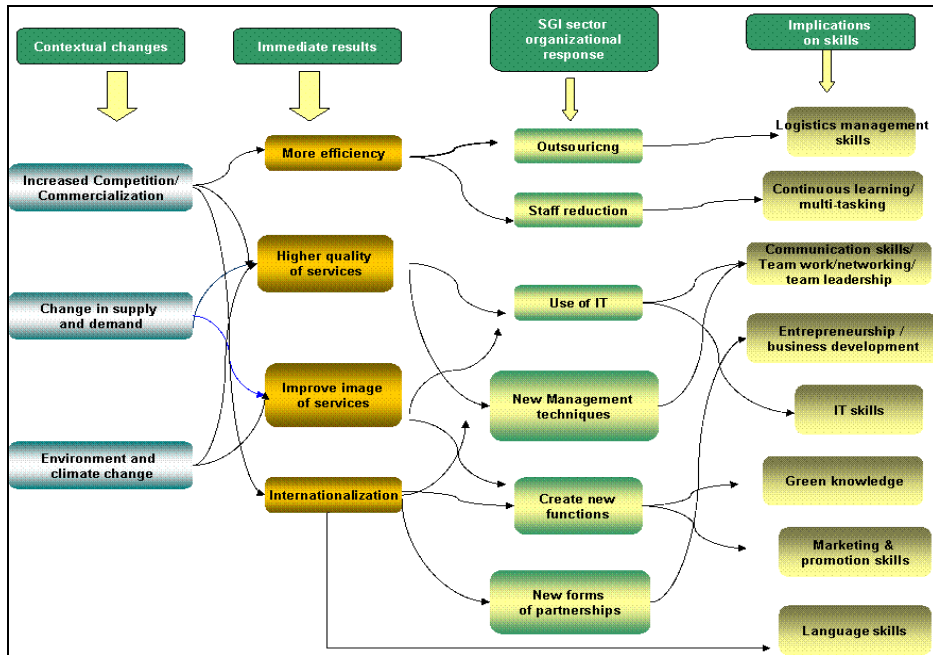
The most important qualifications they highlight for the sector are

-**ability to improve skills continuously** (learning abilities)

-a variety of personal skills such as: Ability to work with people, language skills, diligence on the job

- **Green knowledge/skills** are now essential for public services in its operation. This is especially true for public transport, education, health, rail and energy providers. For example, in public transport, there is increasing emphasis on "environmentally friendly" operations through the introduction of lighter and lower emissions vehicles and lower noise engines, which requires new technical knowledge in the field of green technology. Another example is in the rail sector which has introduced a new type of "energy meters", which requires advanced driving skills to reduce energy consumption by about 10%;
- **Logistics skills** are becoming more important due to the increasing outsourcing and the need to work with multiple stakeholders;
- **Management and leadership skills** are rising in importance due to the changes in management techniques which as mentioned earlier, emphasise the results and performance management;
- **Customer orientation, marketing and promotion skills** are needed particularly due to the increased demand for better services and the increased interaction with public, particularly in transport and health and public administration. As the sector aims at improving its image, against high private sector competition, marketing and promotion skills are new skills/functions created within the SGI sector;
- **Mastering of foreign languages** is becoming an important factor particularly for public transport staff who work on international lines, as well as health sector staff who due to the increased demand, have the ability to work in different countries.

Figure 3 Skills set for the SGI- EU



Source: ECORYS Nederland B.V. adapted from CEEP Experts reports.

In the diagram, the causal linkages between the changes in market demand (causes) and the skills set of workers (effects) are visualized. However, it is difficult to draw the boundaries where the effects of each change end or start. In reality, the relationship between the causes and effects is not always linear nor is it direct, but this presentation is only meant to be illustrative for the reader.

Response to the skills shortage and mismatch at EU level

The problem at the European level has attracted attention and was the subject of several policy measures and initiatives. One recent example of this is the EU 2020 strategy which acknowledged the importance of skills upgrade and called for the establishment of the flagship initiative “An Agenda for new skills and jobs” with the aim of modernizing the labour market and improving the skills of workers throughout their life time. Moreover, the European Council has acknowledged the importance of guaranteeing both flexibility and security in the labour market, thus adopting the common principles of “flexicurity”.

Elaboration of the European Skills/ Competences, qualifications and Occupations (ESCO) taxonomy

The EU initiative “New skills for new jobs”, established in 2008, strives to promote better anticipation of skills needs in the future, develop better matching between skills and labour market needs and bridge the gap between education and work. In doing so, it is in the process of elaborating the European skills/competencies, qualifications and Occupations (ESCO) taxonomy which will describe the most relevant skills, competences and qualifications of occupations in the EU. The importance of this elaboration lies in the fact that it will present an inventory of the skill set needed in each sector and for each function which will help identify the skills sets and training needs for skills upgrade. Countries like Canada and Australia have already developed such schemes elaborating the occupations and the skills required for each function in various sectors. See example in Box 5.

Box 5 Canada- National Occupational Classification

Canada's National Occupational Classification NOC defines the general occupations and competencies required for them. According to Canadian government:

"The NOC provides a standardized framework for organizing the world of work in a coherent system. It is used to collect and organize occupational statistics and to provide labour market information. The structure and content of the NOC is also implemented in a number of major services and products throughout the private and public sectors. The NOC is updated according to 5-year Census cycles. It is based on extensive occupational research and consultations conducted across the country, reflecting the evolution of the Canadian labour market.."

Source: <http://www5.hrsdc.gc.ca/NOC/English/NOC/2006/AboutNOC.aspx>

Flexicurity: lifelong learning and continuous investment in people's skills

The EU introduced the principles of flexicurity within the framework of the Lisbon Strategy in 2007 as one of the key policy areas in which the right mix of measures can be implemented. Flexicurity has emphasized the principle of lifelong learning as a crucial factor for enterprise's competitiveness and for employees to remain employable in the labour market. Flexicurity principles are expected to be Member States specific and adapted according to each country's circumstances, but in general terms it acknowledges that lifelong long learning has to be mutually supported by flexible and reliable contractual arrangements, social security and active labour market policies.

Lifelong learning is an approach that encompasses not only the formal learning during school years but also the informal learning that takes place in an individual's life time at any stage of life. It is an approach that is well recognized at the EU level and was introduced within the European Framework for Competencies supporting training and development of the traditional subjects, such as "*mother tongue literacy, numeracy, knowledge of foreign languages, science and IT skills. It also covers other skills, such as learning to learn, social and civic competence, initiative-taking, entrepreneurship, cultural awareness and self-expression*"².

A lifelong learning approach aims at reducing the time spent by workers in training before entering the labour market again. It is intended at providing on the job continuous training so that employees can keep pace with developments in the labour market (USSP/CESI 2004, p. 3).

Further proposed actions

Other specific actions to address the mismatch of skills in the EU labour market have been suggested by CEEP and they are:

- Anticipating and understanding the evolution of each economic activities
- Anticipating skills needs in each sector of the economy
- Adapting the educational and professional qualification offer
- Counseling students and employees taking into account the evolution of skills needs
- Achieving actions towards acquiring, adapting and developing skills.

Specific challenges to skills mismatch and lack of skills in SGIs

Specific challenges are facing SGIs in terms of skills upgrade and mismatch:

- While long life learning and training have been identified as important elements for skills upgrade and filling skills gaps, the lack of public finance and fiscal consolidation measures may act against the achievement of this objective;

² http://ec.europa.eu/education/lifelong-learning-policy/doc42_en.htm

- While training and life long learning have an added value to the organization, the formalities associated with training may impede training, such as for instance the difficulties created as a result of employees who have to cover for the absence of their peers;
- The skills levels in the SGIs vary considerably across countries; there is a need to understand the specific skills required for each sector across the different EU countries;
- There is an increased focus on the changes in labour market from the demand side, but there is a lack of good understanding of the effects of demand on the supply side;
- Inability of SGIs to attract highly skilled and dynamic people. Several factors contribute to this aspect, such as:
 - Decreased numbers of young applicants to SGIs in general, due to aging population
 - Increased competition among employers
 - The salary level of SGIs compared to employers in other sectors which makes SGIs attractive to low- intermediate skilled workers
- Ineffective performance based systems;

Box 6 Hungary Performance Evaluation

In 2006, the Hungarian government introduced the new human resources management (HRM) techniques to the public sector sphere. A new performance evaluation system (teljesítményértékelési rendszer, TÉR) was introduced for civil servants, combined with a new bonus system. Performance evaluation was composed of a score system that would be able to identify the training needs and the yearly bonus. The evaluation scheme was divided into two parts, 60 percent of the scores were based on "what tasks the employee carried out" as defined in the employees job description and the remaining 40% were based on the "quality" of performance".

Despite providing for higher bonuses, the new evaluation scheme was not well received because, the evaluation ended up categorizing many employees as poor performers, while only a small proportion of staff could be assessed as " high performers".

Middle managers in public administration expressed that these results are barely reflective of the efforts done by employees. In their views, only a few people could be considered as poor performance because, in reality, one year earlier, a number of employees was made redundant, causing an intensification of work on the remaining employees. This one hand means increasing the tasks that one person performs and on the other hand, in a way, may compromise the quality of work performed.

Source: <http://www.eurofound.europa.eu/eiro/2008/08/articles/hu0808029i.htm>

- Fiscal consolidation measures and early retirement plans result in a competition over workers with valuable skills. Combined with the lack of effective systematic mechanisms to transfer knowledge to newer generations especially in those areas where there is a lack of vocational training impedes further skills development in SGIs;
- Lack of an interactive mechanism that identifies "proactively" the skills gaps in the sector and bridges the gap between supply and demand. Education is the strongest actor that can bridge the skill gaps. However, in the current times- characterised by rapid changes in demands and

technological changes- it is smarter to be prepared to supply the necessary skills before the "gaps" occur.

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Interviews

Interview with Mr. Angelo Caragiuli, Chair of the “CEEP working group on skills and vocational training”



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