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## **Practitioner's statement – The value of public services in Europe**

*additional value of Public Services; employment and investment in the public sector; EU's 20-20-20 energy and environmental targets; Europe 2020 strategy; privatisation activities and austerity measures in the public sector*

*Services of General Interest are a key pillar of social and territorial coherence in the European Union. They enable the functioning of the European society and economy. The following article shows the importance of Public Services in Europe. It emphasises the additional value of local public utilities by illustrating their contribution to the Europe 2020 strategy and draws the attention to the impacts of the economic crisis and the current development in the public sector.*

### **I. Introduction**

“Public Services, also known as Services of General Interest (SGIs), are services whose provider is entrusted by a public authority (...) with specific missions of general interest. (...) Public services include energy, water, public transport, postal services, telecommunications as well as healthcare and social work, education (...), public administration and defence, etc.” (European Centre of Employees and Providers of Public Services 2010 (CEEP), p. 2).

Public services play a significant role in the modern European society, since they ensure the prosperity of the citizens and the future viability of the economy. All European Union (EU) countries require public services due to their inherent manner to support the society and to strengthen the economy (CEEP 2010, p. 2). The CEEP describes five reasons why public services are necessary in the society:

- “SGIs are backbone of our economy
- SGIs contribute significantly to the economy
- SGIs are key investors in the economy
- SGIs act as stabiliser in times of crisis
- SGIs are vital for a smart, sustainable and inclusive economy” (European Centre of Employees and Providers of Public Services 2010, p. 2).

Additionally, local public utilities enjoy great trust by the citizens in Europe. According to a TNS Emnid study conducted on behalf of Verband kommunaler Unternehmen (VKU) – German Association of Local Utilities in 2009, 81 % of the respondents trust their local public utility (TNS Emnid 2009). These findings have been renewed by a recent Forsa survey on behalf of VKU where 81 % of the respondents said that they highly trust their local public waste management company (Forsa 2014). Citizens appreciate public services, since they associate positive

values like customer proximity, regional rootedness and responsibility as well as supply security.

Beyond this appreciation by the customers and the citizens, *public services are the key to achieving the medium-term European growth and employment targets which are set out in the Europe 2020 strategy.*

Europe 2020 is an economic programme of the European Union lasting ten years that was proposed on 3 March 2010 by the European Commission and approved in June 2010 by the European Council. Europe 2020 is the successor to the Lisbon Strategy, which was pursued from 2000 to 2010.

The goal is to create “smart, sustainable and inclusive growth” (European Commission 2010, p. 2) and to achieve better coordination of economic policy at national and European level.

The Europe 2020 strategy is based on seven priorities:

- expand internet access and the digital internal market,
- decouple economic growth and use of resources,
- promote a competitive industry,
- improve research and development,
- improve the performance of education systems,
- modernise labour markets and improve labour mobility,
- combat poverty.

SMART GROWTH	SUSTAINABLE GROWTH	INCLUSIVE GROWTH
<b>INNOVATION</b> EU flagship initiative “ <b>Innovative Union</b> ” to improve for research and innovation so as to strengthen the innovation chain and boost levels of investment throughout the Union.	<b>CLIMATE, ENERGY AND MOBILITY</b> EU flagship initiative “ <b>Resource efficient Europe</b> ” to help decouple economic growth from the use of resources by decarbonising our economy, increasing the use of renewable sources, modernising our transport sector and promoting energy efficiency.	<b>EMPLOYMENT AND SKILLS</b> EU flagship initiative “ <b>An agenda for new skills and Jobs</b> ” to modernise labour markets by facilitating labour mobility and the development of skills throughout the lifecycle with a view to increase labour participation and better match labour supply and demand.
<b>EDUCATION</b> EU flagship “ <b>Youth on the move</b> ” to enhance the performance of education systems and to reinforce the international attractiveness of Europe’s higher education.	<b>COMPETITIVENESS</b> EU flagship initiative “ <b>An industrial policy for the globalisation era</b> ” to improve the business environment, especially for SMEs, and to support the development of a strong and sustainable industrial base able to compete globally.	<b>FIGHTING POVERTY</b> EU flagship initiative “ <b>European platform against poverty</b> ” to ensure social and territorial cohesion such that the benefits of growth and jobs are widely shared and people experiencing poverty and social exclusion are enabled to live in dignity and take an active part in society.
<b>DIGITAL SOCIETY</b> EU flagship initiative “ <b>A digital agenda for Europe</b> ” to speed up the roll-out of high-speed internet and reap the benefits of a digital single market for household and firms.		

Figure 1: The Europe 2020 strategy

Source: European Commission (2010, p. 32)

The stated thesis is discussed while having a closer look at the first three priorities in order to examine the contribution of public services to the Europe 2020 strategy.

## II. Contribution of public services to the European economy in general

In May 2013 the CEEP presented an update of the study “Mapping Public Services” that aimed to gather data on European public services and to confirm by facts and figures the labour relations in this area (CEEP 2010, p. 2).

CEEP represents enterprises and employer's organisations with public participation from all across Europe. Members come from the energy sector, from the water or waste sector, but also from the postal or broadcasting sector or social housing. One thing all these actors do have in common is that they provide essential services of general interest to the European citizens.

In comparison to many other European umbrella associations, being present in Brussels, there is one characteristic that differentiates CEET from other umbrella associations. Its role is to operate as a social partner of the European institutions like it is stipulated in the articles 151-161 of The Treaty on the Functioning of the European Union (OJEU 2012, pp. 114).

As CEEP providing public services CEEP, together with the European association of private employers – Business Europe – and the European Trade Union Confederation (ETUC), is heard twice a year before the meetings of European heads of state and government and is involved in a variety of work within the EU institutions.

Unlike other associations CEEP must therefore be heard on certain topics. That is a major advantage if the estimated 6,000 lobby organisations in Brussels are considered, which in turn have an estimated 30,000 lobbyists representing their interests (European Commission 2013 a, IP/13/1178).

Figures from the above mentioned CEEP study “Mapping Public Services” are quoted in order to start with the discussion of the question, what contribution public service providers can make to the Europe 2020 strategy.



Figure 2: Public Services in Europe

Source: Cambridge Econometrics Limited (2013, p. 10)

The conclusion of the study is that in 2010 public employers employed 29.5 % of the EU population and contributed 22.1 % to the total investment by the EU 27 (Cambridge Econometrics

Limited 2013, p. 10). In figures this translates to 65.7 million employees and EUR 501.5 billion in investments (Cambridge Econometrics Limited 2013, p. 10).

Moreover, the study refutes the stereotype that public services are inefficient, which had been levelled by the German Taxpayers Association (Bund der Steuerzahler Corporate Social Responsibility 2014, p. 26). The study confirms that public service providers contributed over 26.7 % to European value added in 2010 (Cambridge Econometrics Limited 2013, p. 10).

### **III. Contribution of public services to the Europe 2020 strategy**

After the consideration of the influence of public services on the European economy in general, the contribution of services of general interest (SGI) to the specific goals of the Europe 2020 strategy is studied.

One of the seven priorities of the Europe 2020 strategy is the “digital agenda for Europe” (European Commission COM2010, p. 6), behind which is the goal to supply Europe's citizens with Internet speeds of at least 30 Mbit/s (megabits/second) by 2020 and to guarantee connections of 100 Mbit/s for more than half of them (European Commission 2010, p. 14).

With regard to attaining these targets, the EU attaches special importance to services at the local and regional level and especially to public bodies: e.g. criticising private providers of Internet services in particular for their lack of willingness to invest, for example in rural regions (European Commission COM 2010, p. 12). The local authorities and their companies are therefore essential, when it comes to extending high-speed broadband.

Another priority of the Europe 2020 strategy is to increase resource efficiency in Europe. This priority includes the goal of decoupling economic growth from the consumption of resources and energy and cutting CO<sub>2</sub> emissions (European Commission 2010, p. 15).

In relation to the waste management sector, this entails the following:

- separate household waste collection across Europe by 2020,
- reduction in per capita waste generation,
- an increase in extended producer responsibility throughout the entire life cycle,
- development of functioning markets for secondary raw materials,
- full implementation of EU waste legislation and complete ban of landfills (European Commission 2011, p. 8).

Here too, local authorities and their companies play a key role in reaching the targets. The latest Eurostat figures (March 2014) show that in 2012 an average of 42 % of the household waste dealt with by local authorities in the EU member states was recycled or composted (Eurostat 2014).

Germany is significantly above the EU average: recycling and composting made up a total of 65 % of waste processing here (Eurostat 2014).

The resource-efficient Europe strategy also comprises the EU's 20-20-20 energy and environmental targets. In other words, the goal of increasing the share of renewable energy to 20 %, cutting emissions by 20 % and improving energy efficiency by 20 % by the year 2020 – in all cases compared to the level in 1990.

The European Commission forecasts that in 2020 the whole of Europe will have reduced emissions by 24 %, risen its renewable energy to 21 % (European Commission 2014, p. 2) and made energy efficiency gains of just under 20 % (European Commission 2014 a, p. 7).

The restructuring of energy supply offers significant potential for innovation, growth and employment that is a contribution to the Europe 2020 goals.

For Germany itself, the government's second monitoring report "Energy of the Future", published in March, cites the number of employees in the renewable sector in 2012 as 377,800 (Bundesministerium für Wirtschaft und Energie 2014, annex 12.3). On top of this, 435,100 (Bundesministerium für Wirtschaft und Energie 2014, annex 12.4) jobs were created in the energy efficiency sector up to 2012. Around 212.100 people were employed directly in the conventional energy industry in 2012 (Bundesministerium für Wirtschaft und Energie 2014, annex 12.5).

But member states opinions on the future EU energy policy are diverse. This is particularly evident at the moment in the discussion about EU energy and environmental goals for the period between 2020 and 2030. The heads of state and government were unable to reach a consensus in their last meeting on 20 March 2014 (EC 2014).

As a compromise, the European Commission has suggested to primarily agree on a binding target of 40 % for greenhouse gas emissions by 2030 and declaring the 27 % target for renewable energy binding at EU level but not for every individual member state (European Commission 2014 b).

CEEP is not convinced that the EU should rely primarily on a CO<sub>2</sub> target (European Centre of Employees and Providers of Public Services 2014, p. 2). This can be told from a quick look at emissions trading and the fact that the CO<sub>2</sub> price is still below six euros, despite certificates being held back (backloading).

The status quo regarding completion of the internal energy market and energy prices was also on the European Council's agenda (EC 2013).

It must be remarked that the EU does still have to make some effort in achieving its goal of a functioning internal energy market by 2014. Therefore, Germany as well as France consider capacity mechanisms that is conform to the EU internal market, and that enables the operation of both new and existing plans in order to provide cost-effective generation capacities with reliable availability. It aims at implementing a revenue stream from the electricity consumers to the suppliers of guaranteed capacity. The background is that the energy-only market is jeopardised to not set up enough price signals to guarantee that an adequate number of power plants will be built up (enervis and BET 2013, p. 26).

Every capacity mechanism must comply with the EU's internal market regulations. The new EU guidelines on state aid for environmental protection and energy indicate that the EU takes a sceptical attitude to such deliberations (European Commission 2013 b, p. 11).

For CEEP it is clear that a market approach must be the focus for all models (European Centre of Employees and Providers of Public Services 2012, p. 1). Market instruments such as an auctioning model are the right way to establish competition in renewables and give investors sufficient predictability.

CEEP also criticises that simple price comparisons in the end customer market cannot be regarded as an indicator of a functioning or non-functioning internal energy market (CEEP 2013, p. 3).

As the European Commission correctly identified in its communication of 22 January 2014 about "Energy prices and costs in Europe", it is increasingly difficult for energy suppliers to generate attractive products (European Commission 2014 c, p.8).

In many cases, rising electricity prices have to be attributed to higher charges levied as a result of national policy. Comparing end consumer prices with the goal of drawing conclusions on the functioning of the EU's internal energy market has to be approached with caution.

The last priority of the Europe 2020 strategy considered here is the goal to promote a competitive industry (European Commission 2010, pp. 16). In terms of this priority, public utilities have a social commitment throughout Europe. This is shown by the fact that in 2008 CEEP developed the CEEP Corporate Social Responsibility (CSR) Label, which illustrates the diverse manners in which public utilities in Europe act in harmony with social, environmental and economic factors. The CEEP CSR Label has since established itself as a recognised European label for public-sector companies and is the only one of its kind in Europe. It has so far been awarded to 87 companies, eleven of them from Germany (CEEP CSR frequently asked questions 2014, p. 1).

Public services are the foundation of European competitiveness. They are the enabling services, including a secure energy and water supply, broadband access or waste disposal, many industrial services won't work without them.

However, concerning to the financial and economic crisis which has not yet been overcome, in many countries public services and public administrations are under pressure to cut costs, which in some cases culminates in pressure to privatise. It can be concluded that the European public sector is not perfect. Therefore, a critical self-analysis and benchmarking with regard to rising the efficiency of public services is necessary, but unilateral austerity measures are not the way out of the crisis.

In the past few months, the economic and financial crisis accompanied primarily by austerity measures and privatisation plans in public administration and local authority infrastructure.

In Greece, for example, all government and combined infrastructure facilities and companies were privatised as part of the conditions imposed by the so called Troika – made up of the European Central Bank, the International Monetary Fund and the European Commission. In addition to ports, airports and public industries, the privatisations include the public electricity and gas suppliers, such as the natural gas company Depa, the postal services, the railway and the public water supply in Athens and Thessaloniki (International Monetary Fund 2012, p. 19, 85).

Furthermore, in June 2013 the Greek government appointed a Minister for Administrative Reform and the number of employees in the public sector has been reduced by 200,000 in the past four years (Huffington Post 2013).

In Portugal, energy supply is now partly or fully in the hands of foreign – predominantly Chinese – state-owned corporations. More privatisations are planned for this year, including the state-owned airline TAP (Transportes Aéreos Portugueses) and parts of the water supplier Aguas de Portugal (Financial Times 2014).

Due to the austerity measures, public services have difficulties to deliver the same quality of service with fewer resources and are forced to apply adaptation measures (Cambridge Econometrics Limited 2013, p. 13). For example, the district Hillingdon in London has been forced to reorganise its work practices and its delivery of services, what included a downsizing of the workforce (Cambridge Econometrics Limited 2013, p. 63). From the point of view of CEEP, however, it takes more than the present austerity measures to solve the current problems (BVÖD 2013, p. 2).

Activities to combat unemployment and financial deficits must be combined with investments in key sectors such as infrastructure and digital services like it is demanded in the presented Europe 2020 strategy. It is not right to attack the economic policy of countries like Germany, which make a major contribution to the global competitiveness of the EU; instead a regulatory environment must be established so that struggling member states can get back on their feet.

#### **IV. Conclusion**

The main thesis that public services are the key to achieving the medium-term European growth and employment targets which are set out in the Europe 2020 strategy is demonstrated in this paper. This is shown by the contribution of public services to three selected priorities of the Europe 2020 strategy.

Local authorities and their companies contribute essentially to extending high-speed broadband, since private providers are criticised for insufficient investment.

What concerns the resource efficiency priority, in 2012 public services in the European waste management sector recycled and composed an average of 42 % of the household waste. Consequently, they also play a key role in supporting the resource efficiency priority of the Europe 2020 strategy.

While considering the third priority, which is the goal to promote a competitive industry, public services enable industrial services to function, since they provide a secure energy and water supply, as well as broadband access or waste disposal.

The conclusion is that SGI are a key pillar of social and territorial cohesion. Local public utilities are modern providers of public services and guarantors of a stable business location. It is only the public infrastructure services that make possible the EU's global competitiveness within the scope of the ecological and social market economy as it is provided for in the Treaty on European Union.

As a reaction to the financial crisis that started in 2008, privatisation activities and austerity measures were carried out in the public sector like it is illustrated using the examples of Greece and Portugal.

It is important to rise the efficiency of public services, but unilateral austerity measures are not the solution to the crisis.

The CEEP also stresses the point that the contribution of public services to the European society has to be well valued and not downplayed (CEEP 2010, p. 7). It proposes five recommendations to European and national decision makers:



- “ensure continuous accessible funding;
- adopt a long-term view while planning the future;
- put sustainability first;
- support innovation, research and education and
- provide certainty to essential services” (European Centre of Employees and Providers of Public Services 2010, p. 7).

These proposals need to be abode by policymakers in order to ensure the functioning of public services and its provision of an additional value to European society and economy. A citizen-oriented Europe is not possible without the concept of Public Services and the local public utilities.

## Zusammenfassung

*Hans-Joachim Reck; Der Wert öffentlicher Dienstleistungen in Europa*

*Europe 2020; öffentliche Dienstleistungsunternehmen; Privatisierung; Wert öffentlicher Unternehmen; 20-20-20 Energie- und Umweltziele der EU; 2020-Strategie; Beschäftigung und Investitionen im öffentlichen Sektor; Mehrwert öffentlicher Dienstleistungen; Privatisierungen und Sparmaßnahmen im öffentlichen Sektor*

*Dienstleistungen im allgemeinen Interesse stellen eine tragende Säule des sozialen und territorialen Zusammenhalts in der Europäischen Union dar. Sie ermöglichen das Funktionieren der europäischen Wirtschaft und Gesellschaft. Der Artikel liefert eine Beschreibung der Bedeutung öffentlicher Dienstleistungen in Europa. Darin wird der Mehrwert kommunaler Infrastrukturbetriebe durch eine Darstellung ihres Beitrags zur Europa-2020-Strategie hervorgehoben und auf die Auswirkungen der Wirtschaftskrise und der gegenwärtigen Entwicklungen im öffentlichen Sektor aufmerksam gemacht.*

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