Turning the page
Croatia’s Economy Minister Ivan Vrdoljak maps his country’s future

The world of work
Labor pains – and solutions

It’s good to share
Remaking the US Government

In his own words
Addressing gender equity in Australia
Welcome to this edition of Citizen Today, EY’s magazine for our government and public sector clients around the world.

This edition delves deep into an issue that continues to haunt far too many citizens around the world: unemployment. Of the myriad repercussions of the financial crisis, the huge numbers of people cast aside from the world of work is surely one of the most insidious. Despite the best efforts of policy-makers, some six years after the start of the crisis, unemployment rates remain stubbornly high.

So what’s to be done? My colleague Rohan Malik suggests that in emerging markets, governments need to focus on attracting investment into their country’s private sector, which is the foundation of any thriving economy. As a region, Europe has been one of the worst hit by job losses, and we hear from a number of its government and public sector leaders about potential – and much-needed – remedies. We also investigate the issue of youth unemployment and how to avoid the specter of a lost generation. As crucial engines of job creation and growth, entrepreneurs come under our spotlight as we examine how policy-makers can best support their business growth.

We also consider issues facing the US. With fiscal challenges continuing to ricochet from coast to coast, we speak to US policy-makers about the challenges they are facing. Fresh from the recent shutdown, and as gridlock continues to scar the nation’s capital, we take a look at how shared services offer an important opportunity to remake all tiers of the country’s Government for the better.

Forging a more positive future is an ambition shared by Croatia’s Minister of Economy, Ivan Vrdoljak. A former engineer and entrepreneur, he has big plans for the EU’s newest Member State. And we take a look at how Australia is seeking to ensure greater gender equity in its public sector leadership positions. While recent progress may have stalled, the country’s Chief of Defence and Secretary to the Treasury are two of a new generation of male leaders determined to reverse this trend – for good.

I hope you enjoy this edition, which you can access by downloading our app to your compatible mobile devices. I would love to hear your feedback and ideas. Please contact me at uschi.schreiber@hk.ey.com. I look forward to hearing from you.
Entrepreneurs provide one of the main engines of growth in any healthy economy. But there are still huge areas where G20 countries need to take urgent action to improve support for their entrepreneurs, says EY’s Alessandro Cenderello.

Why are so many young people around the world unemployed? EY’s Susanne Tillyvist remains confident that we can avoid a lost generation — but the time to act is now.

Although policy-makers from around the world are united in their desire to boost employment, the question of how to do this remains challenging, EY’s Rohan Malik says it’s time to pick up the pace.

Collaboration nation
With gridlock in Congress, a recent Government shutdown and funds continuing to be tight, US policy-makers face a variety of challenges. EY’s Dan Murrin suggests that the implementation of shared services offers a potential chink of light.

An engineer in the house
Ivan Vrdoljak is drawing on his experiences as an engineer and entrepreneur in his current role as Croatia’s Minister of Economy. He explains his plan for moving his country forward.

Searching for solutions
Few regions have been as hard hit by the toxic scar of unemployment as Europe. As generations young and old struggle to get back to work, a number of European leaders tell us how to get Europe working again.

Breaking bad barriers
Australia’s Chief of Defence and Secretary to the Treasury have both prioritized the issue of greater gender equity in their respective organizations. They tell us why, as men, they feel so strongly about this issue.

An American conversation
As budgets become tighter and times more complex across all tiers of the US Government, we hear from a number of leaders about the fiscal challenges and the innovation that’s needed to solve them.

The production line
A look at recent thought leadership from EY

Spotlight on China
Introducing EY’s Government & Public Sector services in China

We meet …
EY Government & Public Sector Leader in China, Martin Qi

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Job creation. It’s a priority shared by governments the world over, including those in emerging markets. As policy-makers seek to restore growth and a greater sense of optimism about their economies, EY’s Rohan Malik says the time has come for less talk and more action.

For several years, as the global economy struggled to recover from the financial crisis, eyes turned toward the world’s rapid-growth markets for reassurance that the outlook was not universally bleak. And certainly, the performance of countries such as China and India, both buttressed by skyrocketing growth and booming investment, injected much-needed confidence that the crisis would not be one without end.

But that’s not to say that emerging markets are without their challenges. From infrastructure gaps (physical and human) to potential over-dependency on a few key sectors to perceived corruption risks, there is no shortage of problems to address. Prime among these, is the issue of high unemployment, particularly as it affects many countries’ young people.

Take the Middle East and North Africa (MENA) region, for example. The Arab Spring’s causes have been deeply analyzed but perhaps its roots lay not in political issues but economic ones. According to the United Nations Development Program, 50 million jobs need to be created in the region over the next decade based on its current employment level of about 106 million jobs. This means MENA’s leaders – government and business alike – have to create 50% as much employment again this decade for the unemployment level not to get worse. This translates into approximately 8.5% GDP growth – far in excess of what is currently being achieved. MENA is hardly the only emerging market region to be grappling with a jobs crisis. The 2012 African Economic Outlook reported that of the continent’s 40 million unemployed young people, 22 million have given up on finding a job, and many of them women. Looking globally, according to the World Bank’s 2013 World Development report, around 600 million new jobs will be required over the next 15 years to support a growing workforce, mostly in Asia and sub-Saharan Africa.

Those countries with the most streamlined processes will be the ones to win business."
The hunt for sustainable solutions

So what is the answer? With funds tight, the decision on where to get bang for your buck is absolutely crucial. We believe that in emerging markets, governments need to focus their attention on attracting investment into their country’s private sectors. It is really incumbent on policymakers to seek to attract capital from domestic and private sector investors because, in most emerging economies, 9 out of 10 jobs are created by the private sector, which is the foundation of any thriving economy.

In this era of interconnected economies and governments, many should be looking at the example of India. With a population of more than one billion people and 28 different provincial governments, it is a strong example of how programs must be tailored to different governments - even in the same country.

In India, each region is assessed on the competitiveness of the market and how conducive it is to business. For example, when I and a team of colleagues from EY started work in Madhya Pradesh, a state in central India, setting up a business took 40 days. Reducing this length of time is the kind of change that one looks at on a macro level, focusing on how to make an area more open for business and better able to attract investors. It is important to note, though, that there is no one-size-fits-all solution. Each region demands, and indeed deserves, a tailored approach that addresses its specific needs and requirements.

When examining how to create the environment for businesses to grow and create jobs, it is also important to focus on access to capital, access to best practices and access to markets – the last being particularly important. Successfully addressing these three barriers to growth will open up far more opportunities to create jobs in businesses large and small. Ensuring that those who can be employed are employed will help prevent individuals from going into crime and creating social unrest, which can lead to political upheaval. With the creation of jobs, governments are able to dissipate social unrest by getting the unemployed into work, and the capital raised from investment can be channeled into training and education.

Risk vs. reward

In some countries, social unrest makes doing business difficult, but the potential rewards of doing business in them are high. Governments that are able to offer subsidies, tax breaks or simplified approval processes are likely to prove more attractive to investors. Large oil and gas companies, for example, may need to enter conflict zones because that is where such natural resources lie, but the cost of doing business is higher due to insurance risks and human mobility factors. These are the type of assessments that private sector companies have to make before they embark on an investment decision, which impacts where they put their money and hence creates jobs. It is clear, then, that those governments that fail to prioritize job creation will lose out. Simplifying procedures and reducing red tape are key ways to lure such job-creating investors. To take a simple analogy, if you want to book a train ticket, you only deal with one person, not 10. There may be 10 people involved in pricing, scheduling and the payment procedure, but to the customer, there is only one point of contact. In the same way that the public only deals with one person when booking a ticket, the same needs to apply to the way government deals with the private sector. But these changes need to be implemented in a way that makes them sustainable.

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Looking ahead, competition for investment and capital is likely to continue to be prevalent, ricocheting from country to country in both mature and emerging economies, and those countries with the most streamlined processes will be the ones to win business. What we saw in the Arab Spring was a statement not just against the politics but also against unemployment and against the quality of life that people have been experiencing for too long. It should serve as a warning to governments everywhere that the time for talking is over. They, like too many of their citizens, need to get to work.

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Feature | Time to get to work

December 2013
An engineer in the house

Ivan Vrdoljak has had quite a career — and shows no signs of slowing down. A former engineer and entrepreneur, he is now Croatia’s Minister of Economy. Here, he tells Berislav Horvat about his country’s recent accession to the EU and charting a course for new growth, jobs and prosperity.
Croatia’s citizens have not had it easy of late. Just 20 years ago, their country was engulfed in war, fighting for independence from former Yugoslavia. Fast-forward to today, and they are facing record unemployment rates and a fifth consecutive year of recession. But it’s not all bad news – far from it.

**Accession uncovered**

On 1 July, Croatia became the 28th member of the EU – something that its Minister of Economy, Ivan Vrdoljak, believes heralds a new era of opportunity. “Membership of the EU, together with membership of NATO, gives us long-term stability and security,” he says. “This is stability that we have long needed to strengthen the future of our political system, the future of our business sector and our investment climate as a whole. EU membership also means we won’t have to revisit lots of arguments that we have fought over in the past, because other topics are now on the table.”

Certainly, there are many benefits coming his country’s way as a result of EU membership. For example, if Croatians get ill in another EU country, they are entitled to the same health care as locals. Businesses, too, stand to benefit as they can now move capital freely between Croatia and other EU countries and are able to bid for public contracts across the EU. And Croatia itself will now receive huge injections of much-needed regional development funding in areas such as research and innovation.

But that’s not to say the accession process has been swift and smooth. Croatia applied for membership of what is still the world’s largest single market a decade ago, and since then, its policy-makers have implemented a series of reforms, not all of them popular. In addition to sweeping reforms of its justice system, shipyards have been sold, new limits for greenhouse gas emissions set and a fight against corruption intensified. Croatia has also handed over war crime suspects from the Balkans conflict to the International Criminal Court in The Hague, reformed its public sector and carried out wholesale privatizations. Such an eclectic and demanding list of reforms underscores Croatia’s determination to join the EU, but what will the EU get out of its 28th member? For starters, Croatia’s new membership – the first new country to join since Bulgaria and Romania in 2007 and the first to be admitted in a single country-enlargement since Greece in January 1981 – helps demonstrate that despite the deep scars inflicted by the financial crisis, the EU remains an attractive region. It also shows – both practically and symbolically – that the states of the Western Balkans can realistically hope to become EU members in the future.

Vrdoljak is clear that Croatia’s new presence in the EU holds many benefits, both in Brussels and beyond. “It’s not just about the EU gaining our beautiful country,” he says, smiling, “but there are two key advantages from Brussels’ perspective. The first is access to the coast of the Adriatic Sea, which is logistically and strategically very important for the region.”

“With Croatia in the EU, we can help our neighbors join in the future. The common languages and traditions that we share with our neighbors means it is easier for us to do this, rather than come directly from Brussels. This is very important.” And it transpires that this process is already under way. “We are already helping Serbia, Montenegro and Bosnia,” he says. “As a partner or beacon can be tricky sometimes, so the best way for them to join the EU is to learn from the Croatian experience.”

“An engineer’s way of thinking”

Vrdoljak is not your average politician. He studied at the Faculty of Electrical Engineering in Osijek before founding his own engineering company in the thermoelectric power sector. This background – steeped in black and white analysis and scrutiny of problems – continues to shape his approach to problems and politics in his ministerial role. “The fact I lived in an engineer’s world means you get used to clear results – both good and bad,” he reflects. “This is the way I want to do my job as a minister. Of course, you need to take account of the ups and downs of politics and the different rules of a political system, but I think an engineer’s way of thinking is very valuable in any government.”

Asked what drew him into the politics, it becomes clear that the old-fashioned allure of public service proved crucial. “I first became involved in politics as a student – I was president and founder of my faculty’s union. But after I had made some progress in my career, earned some money and got some security behind me, I asked myself, ‘What is my obligation to society?’ and a move into politics seemed the obvious next step.”

“Getting Croatia working”

Unemployment, particularly among its country’s youth, is hardly a problem confined to Croatia. On the contrary, it is an issue that continues to affect countries large and small, developed and emerging. But nevertheless, it is clear that Croatia is suffering more than most.

“Not surprisingly, Vrdoljak says it is a high priority for himself and his colleagues in the Government. “We are discussing this issue a lot,” he admits. “There is no magic wand as every country has similar problems, but there is a right direction to follow. We are developing a new strategic industry policy that will focus resources and effort on six to eight sectors of our economy, all of which have the potential to deliver sustainable jobs and growth in the future.”

“Small countries like ours can’t do everything,” he continues. “Instead, we can focus on key sectors and work to make our education system, for example, as strong as it can be. “We will be choosing which sectors to support at the end of the year and then will be rolling out programs to support them in terms of innovation, technology development and competitiveness. I think young people will then find it easier to find jobs in these sectors.”

As an entrepreneur himself, Vrdoljak is speaking from a position of considerable experience and insight. After all, all entrepreneurs provide one of the main engines of growth in any healthy economy by developing new products and services, implementing more efficient production methods, and creating new business models and industries. They generate jobs, support local communities and build prosperous societies.

For all these reasons, many countries have introduced a range of programs and policy initiatives to help boost entrepreneurship, but Vrdoljak had no such support when establishing his own company. “I started my business with friends from the faculty,” he recalls. “No one supported me. My family did but not the Government. I lived with my parents for five years and explained to my wife we had to live with them as all my money was being invested in the company. When someone has an idea and the energy to turn it into a new business, I believe that the role of government is to provide a free market and the stability that an entrepreneur requires: stability of taxation, stability of energy prices and stability of labor costs. It’s not about giving them money. Much more important is providing the correct infrastructure for them to thrive.”

**Looking forward**

With the dust starting to settle on the accession process, Vrdoljak and his colleagues are now focusing fully on the future. His optimism is striking. “In the next five years, Croatia should be the most stable country in our part of Europe, and our strategic location will help make us the logistical center of the region,” he says. “Our EU membership means there will be a much healthier investment climate across our country. Today, all investors – current and potential – now understand that our rule of law means their investments will be protected and supported by the Government. Ours is a country open for business.”

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When I was seven years old I wanted to be a doctor. This was mainly because my grandmother would tell all of her grandchildren that one of us had to become a doctor to look after her. And so I raised my hand and volunteered. I studied natural sciences at school but then, when I was 15, I changed my mind and told my mother I wanted to go into finance, and then two years later I decided to become a businesswoman instead.

Life then, at least for me, was quite easy when it came to finding a job. There seemed to be plenty of jobs available. Unfortunately, that is not always the case today – both in Sweden and around the world. Earlier this year, many of Stockholm’s suburbs were the scene of more than five consecutive nights of rioting. One of the principal reasons for the riots was the high numbers of unemployed youth, as desperate people do desperate things. Given that Sweden is frequently seen as having an enviably strong society and welfare system, if riots can occur there, then they can occur anywhere. So what is to be done?

In Sweden, and in countries around the world, policy-makers are increasingly looking to entrepreneurs and start-ups to kick-start their economies and provide the jobs that will sustain growth. With this in mind, EY recently analyzed the challenges and issues facing young entrepreneurs in the G20 markets. Our report Avoiding a lost generation was based on a 2013 survey of more than 1,500 entrepreneurs from across the G20 countries, a sample that included 1,000 entrepreneurs aged 40 and under.

Numbers talk

A quick look at the latest data confirms what policy-makers are up against. The International Labour Organization reports that almost 13% of the world’s youth – close to 75 million young people – are unemployed, and many are also underemployed relative to their training and capabilities. In the worst-hit countries, youth unemployment rates have risen well above 30%. While developing nations suffer from the highest levels of people out of work, youth unemployment figures remain high around the world. Underemployment is also a concern, with many young people in roles that fail to capitalize on their training or capabilities.

Governments are turning to entrepreneurs and small- and medium-size enterprises (SMEs) in the recognition, perhaps belated, that they are significant engines of job creation and economic growth. Research by EY found that SMEs with fewer than 250 employees represented, on average, two-thirds of G20 employment. These businesses also add jobs at about twice the rate of their larger rivals and are more likely than larger companies to recruit previously unemployed people. Through our research, we identified five key imperatives for action.

Expand the choice of funding alternatives

It is no surprise that funding remains the biggest stumbling block for entrepreneurs looking to start their own businesses. Nearly three-quarters (73%) say access to funding remains very or somewhat difficult in their countries. This is especially true for those seeking to develop a new type of product or service, while traditional funding, such as business angels, private equity and venture capital, remains even more limited for the younger entrepreneur. Addressing the funding gap must be a key priority for G20 nations to support young entrepreneurs and help stimulate job creation.

Young entrepreneurs are demanding more support in finding funding through non-traditional methods, such as crowdfunding. The survey found that almost one in two (49%) think improved access to funding through new innovative platforms will have the greatest impact on accelerating entrepreneurship over the next few years globally. This is especially noticeable for female entrepreneurs, with a greater proportion calling for strong improvements in access to crowdfunding and microfinance. However, any such funding needs to be backed up with wider support and mentorship.

Increase mentoring and broaden support

There is a pressing need to provide these growing businesses with a stronger support ecosystem, especially with business incubators, but also mentors, start-up programs, entrepreneurs clubs and associations. All help facilitate networking and the sharing of best practices.

A number of governments have introduced measures to help support entrepreneurs, beyond simply access to funding. South Korea’s Small and Medium Business Corporation has provided support, education and funding to more than 6,000 small and medium-sized manufacturers. Elsewhere, the Canadian Youth Business Foundation runs a scheme that offers young entrepreneurs financial support of up to CAD15,000 (US$14,353), but crucially each entrepreneur also gets access to a personal mentor for two years. To date, it has helped 5,600 entrepreneurs to create 23,000 jobs, resulting in CAD163m (US$156m) in Government tax revenues.

Change the culture to tolerate failure

The public must change their perception of start-ups and be more aware of the contributions they make to the broader economy. Having a supportive entrepreneurial culture that embraces SMEs will have a positive effect on their future growth. This can be done in a number of ways.

Governments need to promote entrepreneurs as crucial job creators. In fact, 50% of young entrepreneurs think this will have a high impact in supporting entrepreneurship in G20 countries over the next three years. In general, governments also need to be more tolerant of failure and recognize entrepreneurs as men and women who provide innovative products.

At a time when youth unemployment is reaching crisis levels, schools and universities can also help as students look to make career choices. Young entrepreneurs highlight the need for success stories and role models: 51% of respondents believe government support for education, funding and profile-raising for entrepreneurs will have a significant impact on perception.

Target and speed up incentives

Young entrepreneurs report an urgent need for government-backed initiatives across areas such as funding, support services and education. G20 nations have tried to provide this support. EY’s analysis of government leading practices across the G20 identified more than 200 government-backed initiatives designed to boost SMEs. Young entrepreneurs recognize the progress: 27% report improvements in tax incentives, and 38% in innovation incentives.

Governments also need to recognize differences between the needs of male and female entrepreneurs. For example, our survey shows that young men are far more likely to prioritize education-related initiatives and tax breaks, while young women focus more on grants and business incubators.

Reduce red tape and excessive taxation

Young entrepreneurs will not succeed in greater numbers until governments create a simpler, SME-friendly business environment. More than one in two (53%) believe the existing system would provide a crucial boost to their efforts. Thirty-three percent say the development of a single government agency to help new businesses with regulation would do most to help, while 14% back the creation of a single government agency to help new businesses with tax-filing requirements.

On both regulation and tax, younger entrepreneurs are still more likely to report frustration as they struggle to come to grips with systems designed for older, more established businesses. However, some progress is being made. Young entrepreneurs view recent changes in regulatory, tax and innovation incentives more favorably than those who are over 40. They are also exploring government incentives for innovation at an appreciably higher rate than older entrepreneurs.

Providing young entrepreneurs with the tools and support they need is clearly a critical component in tackling the youth unemployment crisis. Businesses and governments must work together to help young people develop an entrepreneurial mindset. But with unemployment remaining far too high, the time to act is now.

To download Avoiding a lost generation, please visit the EY Global Center for Entrepreneurship and Innovation at ey.com/entrepreneurship.
New products and services, new production methods, business models and jobs: the list of how entrepreneurs support local communities and build prosperities goes on and on. Little wonder, then, that governments across the G20 countries have come to prize entrepreneurs’ economy-boosting activities so highly.

Few governments doubt the power of entrepreneurs to create jobs and stimulate economies. But there is still some way to go before G20 countries are all providing the best level of support, says EY’s Alessandro Cenderello.

The Power of Three, which is EY’s latest G20 Entrepreneurship Barometer, is based on a survey of more than 1,500 entrepreneurs. It shows that while every G20 country has key strengths in entrepreneurship from which other nations can learn, it also highlights many areas where they can do more. Our analysis is aligned across ecosystem: access to funding, entrepreneurship culture, tax and regulation, education and training, and coordinated support.

Access to funding

With 70% of entrepreneurs reporting difficulties in accessing funding in their own country, the development of more innovative funding platforms such as crowdfunding and microfinance ranks as a high priority. So, too, does continued public aid and government funding, which are seen as one of the most valuable sources of assistance. This is because public money can act as a powerful catalyst, especially when delivered in partnership with the private sector.

A good example of how governments can help is the US Small Business Administration (SBA). Designed to bridge the gap between venture capital funding and small companies, it has become an increasingly fertile source of finance for entrepreneurial businesses in the US. In 2012, its finance programs provided US$30.25bn in loans to small businesses, but it’s not just about the money. One of the main reasons for the SBA’s success is its focus on education. The agency’s national network of experts provides support to entrepreneurs through mentoring, training, legal advice and even assistance with securing government contracts.

By contrast, EU policy-makers are focusing on issues such as stimulating the development of venture capital. They are also faced with the fragmentation of the financial system, which is making access to credit increasingly difficult for entrepreneurs in peripheral countries.

Entrepreneurship culture

To encourage more people to start and grow a business, a country needs a set of beliefs and customs that make entrepreneurship a valid and respected career choice. Would-be entrepreneurs also need support and retain the entrepreneurial talent that exists across our globalized and knowledge economy. It is therefore all the more surprising that entrepreneurs themselves believe that policy-makers could do much, much more to help support their activities.

Governments can play an important role in increasing a nation’s celebration of entrepreneurship. For example, the work of the European Commission and the EU’s Program for Competitiveness of Enterprises and SMEs includes a large number of awareness-raising activities designed to encourage more entrepreneurial culture in Member States. European SME Week is another key initiative: it aims to inspire more people, in particular the young, to consider becoming an entrepreneur. In 2012, European SME Week held 1,500 events across 37 countries in the region.

Tax and regulation

Tax and regulation are key levers for improving a country’s business environment. Those countries that offer favorable tax rates, simplify procedures and provide support for entrepreneurs are more likely to benefit from high numbers of start-ups. In turn, these ventures go on to become significant creators of jobs and tax revenue. It can be done. For example, it takes just two days to register a business in Australia and five in Canada.
Governments can also play an important role in championing entrepreneurial education at the university level. One leading example is the UK’s National Centre for Entrepreneurship in Education. It aims to raise the profile of entrepreneurship and improve educators’ ability to teach the subject. An independent evaluation of this work showed just how valuable it can be, with a 1,100% return on money invested by the program.

Coordinated support
Successful entrepreneurial countries have rich and diverse ecosystems with strong funding options, a supportive culture, a business-friendly environment and first-class education systems that encourage entrepreneurial mind-sets. They also tend to have a range of high-quality resources spanning the public, private and voluntary sectors. Governments can help orchestrate the way these disparate stakeholders come together.

One in five entrepreneurs think start-up programs are the most effective form of government-tailored support, followed by small business lending and loan guarantees. Across the G20, such programs are wide-ranging and include cash grants, equity financing, debt financing, tax incentives and often networking or mentorship. But many entrepreneurs report a decline in access to these programs over the past three years, despite believing that such schemes should be a top priority. As a result of intense budgetary pressures, developed countries report the greatest deterioration in access to government start-up programs, with France, the US, Australia and Italy all having to pull back from activities.

Although each country has its own set of challenges that require different solutions, a wide range of programs and initiatives exist for countries to learn from and tailor together in order to remove the barriers to entrepreneurial success. If they do so, jobs and growth will surely follow.

To download The power of three, please visit the EY Global Center for Entrepreneurship and Innovation at ey.com/entrepreneurship.

Education and training
A good education system – both in general and, especially, relating to entrepreneurship – can help economies thrive and allow entrepreneurs to become true drivers of future employment and growth. However, our research shows that, although countries are investing significantly in education, this is not always creating the best educational options to foster entrepreneurship.

Although about half (52%) of entrepreneurs report an improvement in university or business school entrepreneurship courses, the vast majority (84%) of those surveyed said that students need access to specific training to become entrepreneurs. With this in mind, policy-makers should encourage schools to introduce entrepreneurial role models and establish clubs that give students the chance to find out what it is like to run a business at an early age.

Governments need to ensure that tax and regulatory initiatives benefit younger businesses and more established ones. For example, countries that focus on delivering corporate tax rate deductions can help profitable ventures. By contrast, younger businesses that have yet to generate a profit tend to be more concerned by indirect taxes, such as property or payroll taxes. Other initiatives that will help early-stage companies include incentives in the form of cash for research and development when there is no tax liability, location incentives that offset capital investments and training credits that offset labor costs. Governments should also ensure that all businesses enjoy greater certainty around regulation to encourage more confident investment.

Entrepreneurship is a huge challenge for Europe’s future – both in terms of competitiveness, which is what DG Enterprise and Industry focuses on, and in broader terms, such as unlocking the potential of young people.

Every three or four years, we do a survey of entrepreneurial mind-sets, talking to people from each Member State, major economies and neighboring countries. We ask a series of questions to get their views on, and experiences of, entrepreneurship. The headline question of our most recent survey was: “Would you rather be an entrepreneur or rather be an employee?” In China, 56% would like to work for themselves, and in the US it is 51%. This compares to an average across the EU of 37%. This is more than a third – and so pretty good when it comes to people willing to take a risk and control of their futures – but it is clear there is a substantial gap when compared with competing economies.

This is why one of the European Commission’s first actions in early 2013 was adopting the Entrepreneurship 2020 Action Plan.

There are three broad areas of focus in the Action Plan. The first is entrepreneurship education, which is where we see the greatest possible return on investment. The second is creating an environment where entrepreneurs can flourish and grow, which is a business environment where administrations, bureaucracies and governments either help potential and existing businesses, or get out of their way! And last but not least, there needs to be greater awareness of positive entrepreneurial role models and outreach to specific groups that are either not reached by traditional forms of business support or that have substantially greater potential for entrepreneurship than is yet realized.

Under these three groupings, we have come up with more than 50 actions. Some of these are to be taken at Commission level, but the others are invitations to the Member States and all tiers of government, particularly those operating at local or regional level. We hope that all levels will be involved as it will take us all working together to help address this pressing issue.

National Clients: a program of the Swedish Employment Service

Soledad Grafeuille
Deputy Head of Department
Swedish Public Employment Service

With youth unemployment in Sweden estimated to be around 23%, it is of little surprise that this issue is now a high priority for the country’s Government. Many initiatives are seeking to address this challenge, one of which is National Customers, a program overseen and implemented by the Swedish Employment Service (PES). National Customers is an innovative way of combining the efforts of the public and private sectors – deploying public measures with the commitment and support of private sector employers in order to tackle the challenge of unemployment among Swedish youth. The initiative seeks to find the best solutions for groups that risk long-term unemployment, such as those with insufficient education qualifications, by creating new opportunities for them to gain experience and strengthen their position in the labor market.

The project reflects the wider commitment of PES to focus more of its activities on contact with employers. There is now much emphasis on establishing cooperation with large companies in order to find jobs on the job training positions that are often looking to recruit large volumes in several parts of the country, all via a single point of contact at PES.

A crucial first step is to listen to what they have to say. Although companies want to be part of the solution, finding out what they want, and what they need, underpins the success of a project. We need to have the company with us – we cannot do this by ourselves. Under the scheme, young people who don’t have a great deal of experience can be assessed at a workplace for up to three weeks. We help facilitate supplementary vocational training, and for new arrivals to the country, language lessons can be offered when required.

Through the agreements with National Customers, more work opportunities are made available for the young unemployed. Although it has sometimes been a challenge to move from the typical public servant role to a more sales-focused approach, the results have so far been positive. We are working with 26 employers, and 13,000 jobs or on-the-job training positions, have been created. For example, one of the largest banks in Sweden has offered 550 on-the-job trainee positions resulting in job offers for 280 young unemployed, and one of our largest retail companies in Sweden has offered 2,000 jobs.

It is still comparatively early for this project, but we are confident it will help make a real difference in helping more of Sweden’s young people get back into the workplace over the years ahead.

Making the digital agenda a reality

Xavier Prats Monné
Deputy Director General for Education
DG Education and Culture

Information and communications technology (ICT), data analytics and globalization are creating three dramatic changes in the world of education. First, we are seeing huge changes in the global distribution of talent. One-third of the total number of people who, like me, are over 50 and with a university degree come from just one country, the US. Yet one-third of students in the world who have just started university come from just one country, China.

Secondly, demand is changing as well. Normally, when you talk about internationalization of education, people think about mobility of people. And it’s true – there are two million mobile university students in the world, and there will be seven million by 2020. That’s a lot of people, but not when compared to the fact that today we have 100 million people in university and will have 400 million people in 20 years’ time. There is absolutely no way that the current methods of supplying higher education can meet that sort of demand. What’s changed is that huge numbers of people, particularly in Southeast Asia, have realized that the way to prosperity in a knowledge economy is through education.

And thirdly, we are seeing changes in supply. Higher education institutions are losing their monopoly of the supply, recognition and certification of education. Other actors are coming in, mainly but not only from the private sector, and can offer extraordinary opportunities for access and excellence in learning thanks to technology. These are massive changes, and the point to remember, especially in Europe, is that technology and globalization have no mercy for a university’s history or traditions.

We do not need to suffer the consequences of these changes: we can shape and turn them into opportunities by focusing on three key priorities.

The first is to raise skill levels. Recent research has shown that 20% of EU citizens have extremely poor numeracy and literacy skills, which is terrible, but even more striking is that an even higher percentage of Europeans have either a very basic or no level of ICT skills. Given that 90% of jobs in 10 years’ time will require this basic level of skills, the scale of the challenge becomes clear.

The second priority is to create, attract and retain talent in Europe – simply because there is no way in which education systems in our aging societies can provide knowledge and skills as fast as a knowledge economy requires.

And the third priority is to fully use the potential of technology to support education: we need to think of strategic ways to capitalize on the potential of free and online content for education purposes and find the right blend between open and commercial content.

Labor market transparency

François Lampe
Head of Pole Cohesion Solutions at Pôle Emploi
French Public Employment Service

Transparency is a vital component of any labor market. This is because it ensures high visibility of job opportunities and applications, while at the same time helping attract a maximum number of job vacancies. The higher the visibility, the more likely it is that unemployed people can find work and, in addition, the greater the chance that any inequality or discrimination that might exist can be effectively addressed.

At Pôle Emploi, we have long placed huge emphasis on transparency while at the same time adapting our tools and job search systems with new technologies and social networks in order to better reflect the day-to-day habits and preferences of young people across France.

The pole-emploi.fr website has between one million and four million visits every day and about 40 million every month. We have three main objectives to boost transparency: first, to increase the visibility and number of job vacancies; second, to improve our services to recruiters; and third, to use new channels such as job boards and professional social networking sites to increase the efficiency of our services. These three objectives, when taken together, will ensure a better match between job vacancies and applications, as well as facilitate better contact between job seekers and recruiters.

We are introducing several new services over the 2013 to 2014 period. These include an aggregation of different partners’ job vacancies to be made available on pole-emploi.fr, which will become the online entry point for the whole French job market. Different job opportunities from all partners and recruiters will be made available on the site through a simplified search engine. There is also an increased focus on targeted distribution, whereas Pôle Emploi enables some offers to be distributed to new recruitment partners, and helps applicants send their résumés to selected partners and companies.

At the moment, we are working with 10 partners but have a further 50 that are expected to join us shortly. In working with them, we abide by a series of principles that will govern our relationships both now and into the future. For example, data exchange and distribution is only possible with the explicit consent of job seekers and recruiters. Each partner is also free to broadcast job vacancies through its various channels such as websites, mobile applications and events. There is also regular monitoring of data exchanges, which enables Pôle Emploi to monitor its processes through to job seekers having found a new job.
The importance of the Social Investment Package

Dr. Lieve Fransen
Director DG Employment, Social Affairs and Inclusion

The Social Investment Package (SIP) is a new social policy framework for supporting Member States in their social policy reforms. It’s about investing in people, supporting policies that strengthen their skills and capacities, and helping them to participate fully in employment and social life. The SIP guides EU countries in using their social budgets more efficiently and effectively to ensure adequate and sustainable social protection. It’s called “social investment” but it’s really about investing, protecting and stabilizing: the three elements of social policy are in the package.

Social policy reforms are going on all the time. When you look over the last 10 to 15 years, countries have had a continuous reform agenda; no country has an ideal system of social policy for the new economy and new society. The countries that have made major reforms during economic growth were more successful in putting the right changes in place. The countries and regions that have to implement reform during periods of austerity have a much harder time as it is more difficult when there is less money.

Recently, we had a project in Spain that we supported with €40m. The aim was to coach and mentor those who are less able to enter the labor market, and it has created 20,000 jobs. This outcome is much better than we anticipated and works out at a cost of €2,000 per job created, with benefits totaling €16m a year, when including taxes and so on. This helps make the case for investment.

The SIP also highlights the importance of supporting, with minimum income, those livelihoods where the needs are highest. Another area is prevention – and the earlier the better. Early investment is very important, and the SIP recommends investing in children. The earlier you invest, then the better the outcome will be over time, especially for children who come from poorer backgrounds.

The SIP has been adopted, and we are full speed ahead in terms of implementing the measures with Member States over the next seven years. We will be measuring its impact on poverty indicators and social policy indicators. In addition to looking at greater efficiency and effectiveness of social protection and social investment with Member States, we will also be publishing a road map for all of the projects already under way.

Encountering and coping with life transitions

Stephen Farre
Minister for Employment and Learning
Northern Ireland

The issue of life transitions has a particular resonance given the levels of youth unemployment across Europe. We face the twin challenges of driving up skill levels to meet the demands of a modern, knowledge-based global economy and the need to maximize the level of participation in the labor market.

Youth unemployment presents particular challenges in this regard. It’s much more of a challenge of ensuring that our citizens are given the opportunity to participate fully in society. It’s also a challenge of competitiveness. This is because we cannot afford our young people to miss out on opportunities to consolidate their skills and training through the practical experience that comes with employment. Equally, we must assist those who don’t feel motivated to continue in education and training at all. Northern Ireland has taken a strategic approach to dealing with youth unemployment and in particular to the issue of dealing with young people who are not in education, employment or training. More young people are struggling to make the transition from education into sustainable employment. These barriers include the lack of work experience, health problems or a lack of role models. Young people face these challenges against the backdrop of a fast-changing labor market across Europe. Skills needs have changed, with subjects such as science, engineering and mathematics playing an increasingly important role. There is greater pressure on young people to be job-ready and have a clear pathway to employment.

I’m a firm believer that independent careers advice and guidance is a vital aspect of supporting young people when making different transitions and phases. During a young person’s school years, there are many important decisions to be made. The collaborative approach is the key to success in helping a young person plan for the future. But despite their best efforts, we must recognize there will be young people who, for a wide variety of reasons, do not have a clearly chosen career path when they leave school. Career advisors have a crucial role in helping them transition to secure and sustainable employment or to engage with relevant training provisions to help them secure employment. It is said that the only constant in life is change. It is therefore essential that young people are supported at different stages of their lives until they have made their successful transition into work.

Investing in a generation — The 5% Club

Dr. Sam Healy
Head of Corporate Responsibility
QinetiQ

In the UK, there are nearly one million unemployed young people, which is a rate of about 21% contrast that with the rate in Germany of less than 9%.

We all know that the UK needs growth, we all hanker after our history of innovation, and we can all see a generation that is in danger of being left behind as firms freeze the recruitment of new employees or suspend training programs in the current economic climate. This is creating an issue whose impact is both social and economic, whose consequences are both immediate and long-term.

With signs that the UK is beginning to recover, we need to capitalize and spread that prosperity by tackling a situation where more than one in five of our young people are without a job, yet in many sectors – particularly areas like science, technology, engineering and mathematics – we are facing skills shortages. This latent pool of talent needs to be turned into the driver of our economy prosperity; this is a business, social and economic imperative. To do that there must be investment in the skills of young people to drive innovation, growth and prosperity.

Government, and others on the supply side, are increasing their “push” toward a solution, but it is industry that retains the real capacity to create jobs. We as industrialists are the ones who must provide the demand “pull” to transform our national capacities and with them the prospects of Britain’s youth. It is time for employers to rise to the challenge and play their part by increasing their recruitment of young people and providing them with the training to build a career and the UK’s skills base.

We have created The 5% Club. We call on all UK companies to aspire to the goal for at least 5% of their workforce to be in apprentice, sponsored student and graduate programs within the next five years and to report their progress in the Corporate Social Responsibility section of such public documents as their annual report, as a key sustainability target. This isn’t just for engineering companies; this is for all UK enterprises. Members already include the international law firm Pinsent Masons and the high street retailer Vision Express. If every member of the FTSE 350 signed up, that would translate into nearly 200,000 opportunities for young people. By mobilizing business to act in concert, we believe The 5% Club can ensure that industry makes a positive difference to our next generation – and to Britain’s long-term success in increasingly tough global markets.

If you’re interested in signing up to The 5% Club, please contact Sam Healy via The 5% Club website, www.5percentclub.org.uk.

What difference will the EU’s Youth Employment Package make?

Susanne Koch
Director
German Federal Employment Agency

The European Commission has set out measures to help Member States tackle unacceptable levels of youth unemployment and social exclusion by giving young people offers of jobs, education and training. Its Youth Employment Package includes recommendations to ensure that all young people up to the age of 25 receive a quality offer of a job, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. However, there is no single package of measures that will work for every single country in the same way. With no magic bullet that solves all problems, each country has to find its own implementation strategy for these proposals.

So what is needed in practice? We have found that strong workplace-related training strengthens the transition between the education system and the labor market. It also helps lessen the problem of young people being overqualified – sometimes employers find applicants that have degrees but not enough practical work experience. This strong interconnection is one of the success stories of the German and Austrian labor markets. For example, in Germany, apprenticeships last for two to three years, with only one day in school per week, so there is a real focus on work experience and enterprise.

What is crucial in establishing this interconnection is to convince employers that they stand to gain from these kinds of training arrangements – not only after the training but also during the education phase. Another priority is to ensure that young people leaving general education are well informed about the options of the vocational training and employment system and can make good decisions about their future. Most important, though, is the need to get full transparency of young people at risk and bring as many of them as possible back into the education system. This is the most important measure to avoid a lost generation and can best occur through close collaboration between all local stakeholders.

To sum up, I believe that in conjunction with short-term measures such as wage subsidies for employers hiring young people, the Youth Employment Package has all the ingredients needed for successfully building bridges into employment. The challenge, now, is to implement these measures in a way suitable for each EU Member State.
Gender equity is an issue that resonates across the public and private sectors—and Australia is no exception. Although recently governed by a female prime minister and despite the existence of daily media stories, constant executive and board attention, and multiple corporate initiatives, the country’s progress toward greater equity and increased female representation in the workplace has actually been slowing.

The fifth installment of EY’s Women in Leadership campaign—‘in his own words’—showcases the views of some of Australia’s most prominent male leaders and asks them why gender equity is important to organizations and to the nation as a whole. In their experience, diversity at all levels lowers risk and improves organizational performance. In a diverse organization: leadership groups make smarter, more informed decisions; customers are better understood; employees are less cynical and more engaged; and organizations gain competitive advantage.

General David Hurley, who took over as the Chief of the Defence in July 2011, leads an organization made up of the Australian Public Service (APS) and the Australian Defence Force (ADF). “One of the odd things about the APS in Defence is that it has remained a very male dominated public service area for many years,” says General Hurley. “Nearly all the senior women we have produced have left the department and gone on to senior positions elsewhere.” In the ADF, by contrast, women tend to stay for far longer. “Once they are in, they stay and they only leave if we cannot match their expectations without challenging the productivity of the organization while we are doing so. These are the discussions that are currently occurring.”

“We will certainly have a woman in contention to be Chief of the Navy ahead of the other two services, and this will be a monumental day when it occurs.”

General David Hurley

In conversation | Breaking bad barriers
Dr. Martin Parkinson, who has served as Secretary to the Treasury since April 2011, believes that it is crucial that these issues are led by the CEO of an organization, and supported by the leadership team. “The first thing I did raised lots of eyebrows,” he recalls. “I made it clear that I was taking ownership of this situation. My deputies did the same. We realized that Treasury was not the organization that we thought that we were leading and that cultural change can’t be left to the HR department to deal with alone.”

General Hurley concurs, saying that time is of the essence. “If you wait for this change to occur by gravity or by nature, it is not going to change quickly enough — you need active intervention for the culture to change,” he says. “We have been clear that there is no silver bullet to solve some of these cultural issues and that it will take time to deliver real change,” he says. “But I am confident that if I were to fall under the bus tomorrow, there is enough momentum, enough people throughout the department committed to change, to carry the agenda forward.”

Both men are confident their focus on greater gender equity will live on after they have moved on from their respective roles. “Whoever replaces me and whoever replaces the next person has come on this journey too,” says General Hurley. And Dr. Parkinson expresses similar sentiments. “We have been clear that there is no silver bullet to solve some of these cultural issues and that it will take time to deliver real change,” he says. “But I am confident that if I were to fall under the bus tomorrow, there is enough momentum, enough people throughout the department committed to change, to carry the agenda forward.”

Perhaps the key conclusion from EY’s research is that Australia is having the wrong conversation. It’s time to stop pitting men against women, parents against the child-free and full-time against part-time employees. Everyone who can should be allowed the opportunity to contribute to the economic well-being of the nation for the benefit of all Australians.

Read In his own words: the male perspective on gender diversity at ey.com/au.

We have been clear that there is no silver bullet to solve some of these cultural issues and that it will take time to deliver real change.

Dr. Martin Parkinson

Unfortunately, this message doesn’t always echo as far as it should. “The business case resonates down to a certain level of the organization and then it bounces back,” admits General Hurley. “We recruit young men from a society where they have grown up with certain views of the roles that women play and they bring these views into the organization. We need to impart in male minds the fact that women are warriors too. Reinforcing that the door is open to women is crucial in order to develop a pool of female leadership talent.”

The Treasury Department has made some progress, but significant challenges remain. “The proportion of female graduates we recruited increased markedly during the 1990s, and while it moves around from year to year, approximately half of Treasury graduates have been women for quite some time,” he says. “As a result, we thought that as an organization we had essentially fixed the issue. We thought that over time, people would work their way through the system, and we would see greater proportions of women coming through into the senior executive ranks. In fact, this did not happen. What we were finding was that women were not staying long enough to be promoted into the more senior levels of Treasury or they were making conscious choices that curtailed their prospects of moving up the ranks.”

Following discussions with senior staff, Dr. Parkinson and his colleagues realized they were inadvertently steering new female graduates into out-facing roles.

We need to impart in male minds the fact that women are warriors too.

General David Hurley

Due to their perceived better communication skills and male graduates into roles involving more technical work. The result was that as women approached senior executive levels, they were broadly not getting the same experience of demonstrating conceptual and analytical skills, skills that are needed to progress. In response, the department conducted a series of interviews and workshops to better understand the challenges that women were facing in the workplace. The results were striking.

“One of the results showed that although we had done a great job in providing flexibility and supporting part-time work in the workplace, we had not actually redesigned jobs to suit the staff,” says Dr. Parkinson. “For example, meetings were being held at times when people with caring responsibilities could not attend. One young man mentioned that if he stayed around the office after the part-time workers had gone home, he had a much higher chance of getting decent work because the nature of the work cycle meant that work allocation often occurred outside of regular work hours. This was just one example of how systemic the problems were.”

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Dr. Martin Parkinson

He goes on to say that the business case for gender equity is clear. “There are real benefits for the ADF in recruiting and retaining women,” he says. “When we go on operations and deploy into the community, we need women to be part of that. We have found women integrate very well into those communities and if you don’t have women, you are missing an important part of the solution.”

The business case resonates down to a certain level of the organization and then it bounces back.

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Unfortunately, this message doesn’t always echo as far as it should. “The business case resonates down to a certain level of the organization and then it bounces back.”

Dr. Martin Parkinson
Rarely has there been such an era of turbulence for policy-makers and public servants across all tiers of US Government. With funds tight and as challenges abound, the implementation of shared services offers an important route forward, says EY’s Dan Murrin.

The idea of deeper shared services or cooperative arrangements between state, federal and local levels of government has gained substantial traction.

The trigger point is largely when an agency identifies a need to transition to a new, upgraded platform. Initially the focus is on administrative and financial management systems, with payroll, travel and core financial systems being prime examples. Budget requests for stand-alone custom configurations are challenged to ensure that a shared services platform that already exists, or perhaps can be obtained, is much more difficult to implement.

One key shift is the increasing recognition that departments and agencies should move to a shared service model to deliver efficiencies in providing financial management and support services. The idea of deeper shared services or cooperative arrangements between state, federal and local levels of government has gained substantial traction.

Their attraction in the public sector is no less compelling: cost savings, human resource efficiencies, better service for the end customer and access to new capabilities all result from its effective implementation. And linked to these advantages is the concept that, freed from the need to perform their own non-strategic functions, Government agencies will be able to focus more on their core activities, improve their performance and focus their resources on high-impact areas targeted toward delivering results for the community.

Shifting gears

However, despite these advantages, the path toward implementation of shared services across the different tiers of Governments in the US has not gone particularly smoothly – far from it. Much of the current impetus flows from agencies, having gone it alone, failing to develop and transition to a new financial management system.

Federal agencies seeking to modernize their large-scale financial systems have often seen significant cost overruns and delays.

Such successes help explain the increasing prevalence of shared services in US Government. State and local administrations have developed a diverse array, some of which are cross-jurisdictional. At the local level, these range from medical clinics to recycling and from financial services to licensing at the state level. Federal SSPs also offer a wide array of services, ranging from human resources or accounting services to worker compensation management to supply contracts. Such shifts are not without risk, however. Moving operations to the private sector increases the possibility of a private firm mishandling transactions or exposing sensitive data, for example, as well as those risks associated with dismantling a Government agency’s capacity to perform the service or activity.

Rules of the game

Experience demonstrates there is no one silver bullet to implementing shared services successfully. However, with Government agencies across the US increasingly recognizing their value, there are some important rules to follow in order to maximize the chances of success.

To start with, the benefits to all stakeholders must be made clear. Budget and cost savings must be part of the story, of course, but this is only part of the equation.

The trigger point is largely when an agency identifies a need to transition to a new, upgraded platform. Initially the focus is on administrative and financial management systems, with payroll, travel and core financial systems being prime examples. Budget requests for stand-alone custom configurations are challenged to ensure that a shared services platform that already exists, or perhaps can be obtained, is much more difficult to implement.

Such success stories help explain the increasing prevalence of shared services in US Government. State and local administrations have developed a diverse array, some of which are cross-jurisdictional. At the local level, these range from medical clinics to recycling and from financial services to licensing at the state level. Federal SSPs also offer a wide array of services, ranging from human resources or accounting services to worker compensation management to supply contracts. Such shifts are not without risk, however. Moving operations to the private sector increases the possibility of a private firm mishandling transactions or exposing sensitive data, for example, as well as those risks associated with dismantling a Government agency’s capacity to perform the service or activity.

That said, the overpowering allure of cost savings often wins out. Such savings might be a reduction in current costs, the avoidance of future costs by avoiding development of new or replacement systems or through increased revenue collections and recoveries. Or it could include all three. However, not only must savings be realized, they must be transparent too. And savings might not always be immediate, so expectations need to be managed at an early stage.

NATION

Rarely has there been such an era of turbulence for policy-makers and public servants across all tiers of US Government. With funds tight and as challenges abound, the implementation of shared services offers an important route forward, says EY’s Dan Murrin.
Shared services — Texas style

Governments at all levels continue to face a wide range of management challenges made greater by the combination of slow economic growth and constrained resources. These challenges are often competing in nature. One is to continue the economic growth that has occurred since the end of the recession, but another is to begin to address long-term fiscal challenges — so it’s really a balancing act.

Even though we’ve made a lot of progress, the US federal Government’s current long-term path is unsustainable, and this knowledge will shape much of the fiscal policy debate over the coming years. Although the annual deficits are improving, we are still borrowing money at far less significant levels by historical standards. What’s driving this? Changing demographics are playing a key role. For example, more than 9,000 Americans turn 65 every day. Between now and 2029, that number will increase on average to more than 11,000 people each day, which will impact the Social Security and Medicare programs.

This may not be the most uplifting of messages, but we cannot shy away from these facts. Government finance professionals, after all, are in the business of focusing on facts and telling hard truths to whoever is in power. It is also important to remember that the Government finance community, whether they work at the federal, state or local level, can do a number of things to help address these challenges. Tackling improper payments, getting better financial information to help make better decisions and controlling costs better are just a few examples of the type of actions that individuals in this community can take. But in a broader sense, we must also always look to identify any way that the Government can become more efficient and more effective. Every dollar matters.

James Earp, Assistant City Manager, City of Kyle, Texas

Financial times in focus

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James Earp, Assistant City Manager, City of Kyle, Texas

Want to talk?

Why should governments use social media to engage citizens? There are many reasons. First, social media gives government a chance to reach an audience that may not be listening. Through social media, citizens and the government can re-engage and connect, informing citizens about its services and explaining to citizens why it does what it does. Also, increases transparency and helps humanize city hall by creating greater trust and encouraging citizens to engage and connect with public affairs.

Although younger generations are prolific users of social media, older generations are rapidly adopting the service. Social media is also popular across all racial demographics — everyone is using it, ranging from high-income earners to low-income earners. And social media is also not just for college students — it is equally popular for those with degrees or without.

When a government is looking to start using social media, it is important that it is clear about its objectives. As well as being part of its overall communications strategy, it needs to understand who it wants to connect to and what it wants to tell them. It needs to understand the social media habits of its target audience: what are they talking about and on what platform? There are so many different social media channels, but a government organization needs to know which one will best spread its message.

Resources — human, time and financial — are also important. Government will fail if it is not updating its social media at least three or four times every day, especially its Twitter feed. And then it has to consider its infrastructure — how will its website be integrated across its social media channels? And that’s before considering data analytics, which can often be challenging. Government organizations have been fearful of social media in the past because they can’t always tell what it is doing and accomplishing. However, there are now true analytics associated with social media — some of which are free of cost — and you can get as specific as you like. For example, on Twitter, the use of a hashtag allows you to monitor and count the interactions the announcement generates. Once a government organization is up and running, there are still opportunities, as well as pitfalls, to be aware of.

Do’s:

1. Make sure you create a strategic social media policy for your communications and legal teams that addresses comments and how they will be monitored. The conversation is 24/7, 365 days a year. This may not be the most uplifting of messages, but we cannot shy away from these facts. Government finance professionals, after all, are in the business of focusing on facts and telling hard truths to whoever is in power.

2. Know your audience.

3. Engage your audience with specific calls to action, such as steering them toward new content elsewhere on your website.

4. Write in the first person — you’re having a conversation with somebody, so treat it that way.

5. Use pictures, videos and infographics in all your posts to increase accessibility.

6. Don’t delete or disable comments because it has dismantled its capacity to perform the service.

7. Be casual and have fun with it — it’s an opportunity to put a face on your government organization.

Don’ts:

1. Don’t waste your audience’s time unless it is entertaining, informative or helpful, then don’t send it out.

2. Don’t delete or disable comments unless they have broken your organization’s social media policy.

3. Don’t plagiarize. This sounds obvious, but it is surprisingly common.

4. Don’t offend anyone or post negative comments. If in doubt, ask for guidance from your organization’s legal department.

5. When on Twitter, don’t hashtag for the sake of hashtagging — keep it to two or three at the very most.

6. Don’t ignore real-time events that can attract a new audience.

7. Do not get overwhelmed with social media — it is constantly evolving and changing.

Social media, at heart, should be seen as an opportunity. We in government now have a chance to connect with citizens in ways that our predecessors could only have dreamed about. And social media is not going away — government needs to get on board or risk losing out.

Frank Liborio, Director of Communications, City of Dallas

CC Gonzalez-Kurz, Public Information Officer, City of Dallas

An American conversation

As US policy-makers from across federal, state and local Government strive to balance the books, we hear from a selection of leaders about how they are seeking to find new ways to provide government for the people
Rapid-growth markets forecast
A weak outlook for domestic demand in rapid-growth markets (RGMs) and subsequent weaker trade flows are expected to drive their GDP growth down next year, according to EY’s latest Rapid-Growth Markets Forecast (RGMF). Driven by downward revisions to Latin America and Asia, the RGMF now expects growth next year to be 4.7%, considerably lower than the 5.7% that was predicted in the July forecast.

“Governments in emerging markets must introduce structural reforms and ease regulatory restrictions to restore investor confidence,” said Rajiv Memani, Chair of EY’s Emerging Markets Committee. “There is an opportunity now to make progress as the US has recently delayed its quantitative easing program to next year, and there is also increased buoyancy in the developed markets, which is resulting in capital flows into the RGMs. It is critical for the RGMs to take full advantage of the depreciation in their currencies for the benefit of their export-oriented sectors and become more competitive with required shifts in policy.”

India, Indonesia, Turkey and Brazil are struggling with sharp currency depreciation as well as having to tighten monetary policy despite weak growth as a result of external pressures. These countries, as well as Argentina and Egypt, all show elements of vulnerability to currency and other financial crises according to the RGMF ‘heatmap’ of vulnerability for RGMs, which ranks each country under seven indicators of risk. By contrast, countries in the Middle East such as Saudi Arabia, Qatar and the UAE have a more robust approach, with low levels of government and external debt.

While the outlook for the majority of RGMs is subdued, prospects for China are looking bright. The lower rate of growth in China is part of a deliberate effort by the Government and the central bank to curb the rapid growth in credit and set the economy on a more sustainable path. Financial sector reform and the development of the recently opened Shanghai free trade zone are also key to supporting trade and innovation in China.

Read more at emergingmarkets.ey.com

Global Information Security Survey 2013
With information security functions not fully meeting the needs in 83% of organizations, 93% of companies globally are maintaining or increasing their investment in cybersecurity to combat the ever increasing threat from cyber attacks, according to EY’s Global Information Security Survey 2013.

The report tracks the level of awareness and action by companies in response to cyber threats and canvases the opinion of more than 1,900 senior executives globally.

This year’s results show that as companies continue to invest heavily to protect themselves against cyber attacks, the number of security breaches is on the rise, and it is no longer a question of if, but when, a company will be the target of an attack.

Thirty-one percent of respondents report the number of security incidents within their organization has increased by at least 5% over the last 12 months. Many have realized the extent and depth of the threat posed to them, resulting in information security now being “owned” at the highest level within 70% of the organizations surveyed. “This year’s survey shows that organizations are moving in the right direction, but more still needs to be done – urgently,” said Paul van Kessel, EY Global Risk Leader. “There are promising signs that the issue is now gaining traction at the highest levels. In 2012, none of the information security professionals surveyed reported to senior executives – in 2013 this jumped to 35%.”

Although information security is focusing on the right priorities, in many instances, the function doesn’t have the skilled resources or executive awareness and support needed to address them. In particular, the gap is widening between supply and demand. Ken Allen, EY’s Global Information Security Leader, said that a lack of skilled talent affects organizations worldwide. “It is particularly acute in Europe, where governments and companies are fiercely competing to recruit the brightest talent to their teams from a very small pool,” he added. “As a result, while organizations feel they are addressing the right priorities, many indicate that they do not have the skilled resources to support their needs.”

Read more at ey.com/GISS

Time for change: recruiting for Europe’s boardrooms
A new EY report has been launched to help businesses increase representation of women on boards and, in so doing, achieve business growth.

With European Commission statistics showing only marginal growth in female board representation in recent years, the report, Time for change: recruiting for Europe’s boardrooms, exposes current barriers and highlights the need for fresh, innovative thinking in the process of making appointments. Based on interviews with board members, headhunters, business leaders and advocates of corporate governance throughout Europe, the report reveals the dangers inherent in “groupthink” at the top of businesses.

“Organizations need to fully realize the benefits that come from engaging a more diverse range of individuals at the top,” said Julie Teigland, EY’s EMEA Accounts Leader. “While gender is far from the only issue that needs to be considered, there is a widespread tendency to view boardroom appointments as a ‘closed shop,’ where only candidates who have already served on boards are considered and personal networks are the primary tool used in recruitment. These factors work against efforts to broaden the base of experience and skills on company boards in order to equip them to meet the complex challenges of the modern business world.”

Five practical steps are identified in the report to improve boardroom recruitment. We suggest reimagining the structure of the board with the evolving needs of the business, looking at issues such as numbers and profile of non-executive directors. Organizations should also improve the recruitment process by investigating ways of using headhunters more effectively, such as rotating recruitment firms and separating evaluation from search in order to create a larger pool of potential candidates, widen the search criteria to include those with analytical skills, independence of thinking and a capacity to support as well as challenge. Businesses should also make a succession plan and keep it transparent as well as collaborate in the creation of a “board secretariat” to provide support for all non-executive directors, in terms of resources and opportunities.

Read more at ey.com

The vital entrepreneur: high impact at its best
High-impact entrepreneurs are the power behind the economy, creating jobs and improving the way the world works, learns, interacts and lives. To help understand what makes these high-growth, high-impact companies tick, EY, in collaboration with the Ewing Marion Kauffman Foundation, has released The vital entrepreneur: high impact at its best, a new report that examines various factors of outperformance, including how high-impact entrepreneurs differ from one another and how they operate, grow and compete.

The US Small Business Administration (SBA) indicates that just 5% to 7% of all businesses are high impact, yet these businesses create most of the new jobs in the US. A look at more than 650 EY Entrepreneur Of The Year™ 2013 finalists reveals how they are surpassing benchmarks for high-impact entrepreneurship by a large margin. They particularly excel in the areas of revenue growth, with median sales growth of more than 30% per year in each of the last two years, and head count, with average head count growth of more than 30% per year in each of the last two years.

“High-impact entrepreneurs are the beating hearts of a vital and vibrant economy,” said Herb Engert, Americas Strategic Growth Markets Leader for Ernst & Young LLP. “At EY, we have had the privilege of getting to know some of these entrepreneurs through our Entrepreneur Of The Year program. We have learned that those you might call ‘super-impact’ – surpassing the benchmarks of high impact by a big margin – do so through their vision, passion and will to succeed.”

While start-ups get much of the attention and are critical to building a healthy entrepreneurial ecosystem, it is high-impact entrepreneurs who are the power behind the economy. “To create and maintain economically stable communities, it takes a diverse blend of high-impact entrepreneurs,” said Bryan Pearce, EY Americas Director, Entrepreneur Of The Year. “The capital markets need them. The economy needs them. And most of all, our communities need them.”

Read more at ey.com

Read more at emergingmarkets.ey.com
Since China opened its doors and embraced reform in 1978, the country’s economy has experienced tremendous growth for more than 30 years, successfully navigating several global economic crises, as well as domestic political problems. This passage of progress reached a major milestone in 2010, when China overtook Japan to become the second largest economy in the world, behind only the US.

However, this impressive economic track record should not obscure a series of challenges that continue to confront today’s generation of Chinese leaders. For example, issues such as the growing gap between rich and poor, the increasingly sharp differences between cities and countryside, the surplus of low-end production capacity, the territorial conflict with neighboring countries, and religious and ethnic problems continue to ricochet across our vast country. The prevalence of such issues affects the foundations of our future prosperity, and there is a growing sense of urgency behind Chinese leaders’ search for sustainable solutions.

With this backdrop in mind, China’s leaders recently unveiled a sweeping reform plan that seeks to safeguard growth and restore momentum to the country’s economy. The wide-ranging package of measures includes moves to open up industries to private competition and ease limits on foreign investment in sectors such as e-commerce. Policy-makers also pledged to allow the creation of privately owned banks and to use market forces to allocate resources. These reforms followed on from the recent introduction of a free trade zone in Shanghai, which has lifted restrictions on foreign investment and allowed interest rates to be set by markets. Eighteen sectors, from finance to shipping, are set to benefit from lighter regulations in the zone.

Unlike many other countries, China’s Government is deeply involved in many aspects of the country’s society and economy. These range from the overall economic development strategy, industrial direction, through to the day-to-day lives of Chinese citizens. Such a deep level of involvement has a profound impact on its people and economy. Because of this, every decision the Government makes at state, provincial and municipal levels will bring significant results to those affected.

EY China’s Government & Public Sector (GPS) practice enjoys a close working relationship with various Chinese Government bodies across all levels, actively helping them make strategic decisions, analyze challenges from different angles, and design pertinent and operable solutions and measures. Our principal services include:

- Industry planning: Industry development has been the top priority for the Chinese Government in the past three decades. EY has been helping policy-makers at national, provincial and municipal levels clarify the industrial development strategy and direction, set measurable goals and matrices, design a road map and specific measures, and tailor policies to attract overseas investors. One key objective is to help China’s Government strike a good balance between industry, the environment and citizens, while the country continues to undergo a major transformation.

- Area economic development planning: Special Economic Zones, which are designated areas of the country that allow more market-oriented policies and Government flexibility, are one of the key tools for the Chinese Government as it pursues economic growth. EY’s teams have worked with many of these zones across China to improve their management efficiency and servicing capabilities.

- Urban development planning: China is experiencing an unprecedented period of urbanization. Every year, tens of millions of people move from the countryside to cities, and such mass movement creates substantial economic and social challenges for policy-makers. EY has been working with the Chinese Government to address such issues by strengthening newly created urban districts in order to ensure such urban migration is sustainable.

- Government transformation: China’s Government is trying to turn itself from an administrative government into one that more service-oriented, mirroring administrations in most developed countries. Being citizen-centric and improving levels of efficiency and management capability have become the key priorities for China’s Government at all levels. EY’s GPS teams are assisting several municipalities as they pivot to policy areas such as e-government and public sector reform.

The overall ambition of China’s Government is to continue on the path of economic growth while achieving a good balance between the country’s economy, environment and its people. In other words, to become a strong, not just a big, economy. EY China is honored to be an active participant in this journey both today and in the future.

**About China**

Full name: People’s Republic of China  
Capital: Beijing  
Largest city: Shanghai  
Population: 1.35 billion (UN, 2012)  
Territory area: 9.66m km² (3.73m mile²)  
GDP: US$8.3tr (2012)  
Head of State: Xi Jinping (since March 2013)  
Political system: China is a single-party socialist state that has been ruled by the Communist Party of China since 1949. The Chinese electoral system is hierarchical, whereby local People’s Congresses are directly elected, and all higher levels of People’s Congresses up to the National People’s Congress are indirectly elected by the People’s Congress of the level immediately below.

**What has driven Chinese leaders to announce these reforms now?**

China has worked hard to achieve economic growth since it opened up and began its process of reforms. China is now at a historical turning point in terms of its economic restructuring, and at the same time, the international situation is undergoing dramatic changes. The reforms introduced in the third plenary session of the 18th CPC Central Committee are to address these changes and safeguard the country’s stable and sustainable growth into the future.

**What do you see as the greatest challenges facing China today — and in the future?**

The issues of land finance reform, industrial restructuring, urban-rural inequality and imbalanced development across China’s regions are the most clearly visible challenges. Lackling internationally, the need to make further reforms and increase our competitiveness both domestically and internationally.

**Spotlight on China**

China’s Government recently unveiled a sweeping package of economic and social reforms. Are you confident the measures will help deliver strong and sustainable growth? China’s new Government leadership team has clear thoughts on the reform agenda for the country. Their strategy will impact China’s future development and will pose huge challenges for Government departments at all levels. The breadth of these changes, however, also brings huge opportunity to the sustainable development of EY China’s Government & Public teams.

For example, the urban-rural integration and strong level of urbanization, both of which have been promoted by central Government, have not only injected strong impetus into regional economic development, but have also unleashed enormous potential for our traditional advisory services.

**What is China’s new Government trying to turn itself into?**

China’s new Government is trying to turn itself into a more service-oriented administration, with an emphasis on efficiency and better servicing capabilities. EY teams are assisting several municipalities as they pivot to policy areas such as e-government and public sector reform.

**China’s new Government recently unveiled a sweeping package of economic and social reforms.**

How are the measures being implemented? EY teams are assisting several municipalities as they pivot to policy areas such as e-government and public sector reform.

**What have you done with the Chinese Government recently?**

EY China is honored to be an active participant both today and in the future.

**What do you think are China’s greatest economic and social challenges?**

EY China has worked hard to achieve economic growth since it opened up and began its process of reforms. China is now at a historical turning point in terms of its economic restructuring, and at the same time, the international situation is undergoing dramatic changes.

**What is the most significant challenge facing China today?**

China’s greatest challenge is to continue on the path of economic growth while achieving a good balance between the country’s economy, environment and its people. In other words, to become a strong, not just a big, economy. EY China is honored to be an active participant in this journey both today and in the future.

**About EY**

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When business works better, the world works better.

How do we build a better working world?
We start with the world that matters most to you.
The world of your business, your customers, your career, your community, your family.
The things that affect you and the things you affect.
One step at a time.
One insight at a time.
Because when business works better, the world works better.

How do we help to create better?
By inspiring trust in the capital markets and helping to keep them flowing.
By working with governments and businesses to foster sustainable, long-term growth.
Enduring growth.
By encouraging the development of the people who are – and will be – the builders, the visionaries and the achievers.
We're making it our purpose to help build a better working world.
Starting with yours.

Better begins here:
ey.com/betterworkingworld
#betterworkingworld