
PULSE OF PUBLIC SERVICES – SPRING 2016

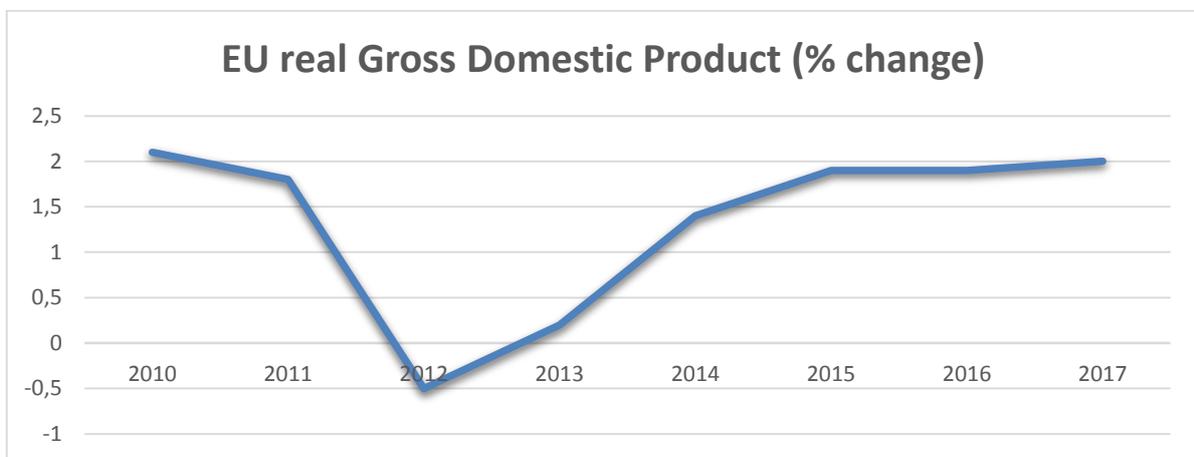
SUMMARY

- In a context of fragile economic recovery, employers of public services report a **cautious optimism regarding the future**.
 - After a sharp increase in the Autumn 2015 Pulse of Public Services, the Public Services Business Index (PSBI) decreases by 2 points. The indicator rose by 14 points between Spring 2015 and Autumn 2015, but is showing stagnation in Spring 2016.
 - This trend can also be seen when asked about upcoming evolution of revenue and of employment. The positive figures from the previous Pulse are on the decline, with more employers of public services expected to face cuts in employment (26%) and with decreased income (21%).
- Public services' employers report “**pursuit of greater efficiency**”, the “**administrative and regulatory burden**” and “**finding workforce with appropriate skills**” as their biggest challenges.
 - 51% of respondents report **pursuit of greater efficiency** as critical for the daily management of their enterprise.
 - Employers of public services bring forward the **lack of financial capabilities and of political will** as the two top limitations to investments they feel as predominant. **Regulatory measures** and taxes are also perceived as factors hampering investments in many organisations.
 - While unemployment in the EU remains high, and while they are in a position to hire again, public services employers keep **struggling to find employees with appropriate skillsets**.

ECONOMIC OUTLOOK

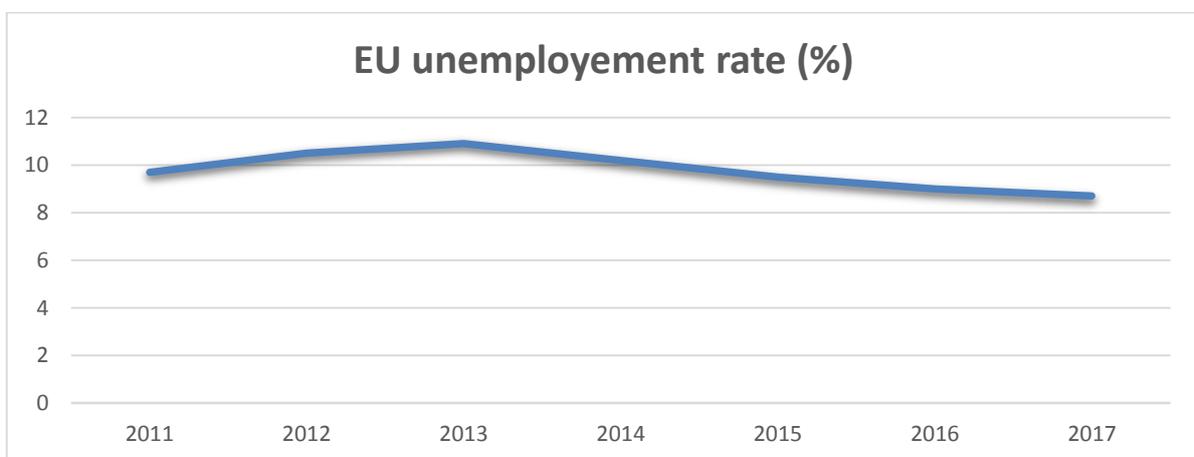
After years of economic crisis and stagnation, the long-awaited recovery remains moderate. The implementation of structural reforms, the rolling-out of the Juncker Plan, the Energy Union and the Digital Single Market strategy should support the EU economic evolution, while the global economic context remains unstable. Global GDP growth in 2015 is said set to have been at its weakest since 2009, while volatility has increased in financial markets and international trade volume remained low.

According to the Winter 2016 European Economic Forecast of the European Commission, the real GDP of the EU is set to keep growing in 2016 and 2017, at 1.9% and 2% per year, close to the figures seen prior to the economic crisis.



European Commission Economic Forecast, Winter 2016

The economies of all Member States are expected to grow in 2016 and 2017, confirming the trend foreseen since 2014. Unemployment is also expected to decrease in the coming years: peaking at 10.9% in 2013, it is foreseen to continue its downward trend: 10.2% in 2014 and previsions at 9.5% in 2015, 9% in 2016 and to 8.7% in 2017.

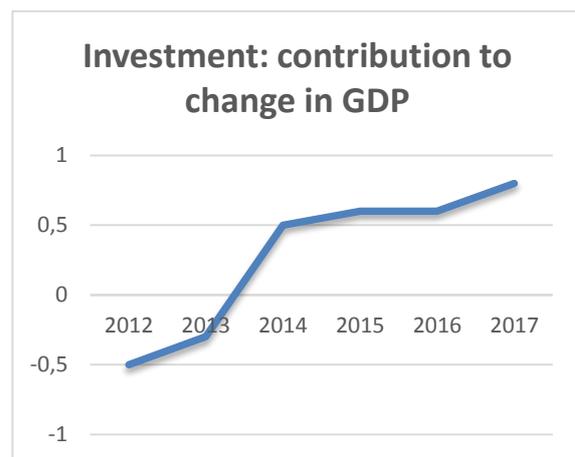
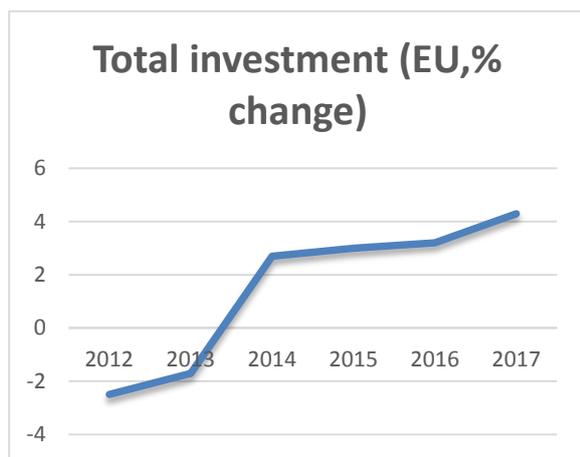


European Commission Economic Forecast, Winter 2016

“The recovery is widespread across Member States”, explained the European Commission Winter 2016 Economic Forecast, mainly driven by steady consumption growth. However, despite the Juncker Plan and the setting up of the EFSI, investment has not picked up yet. Investment fails to emerge as a driver of the recovery, and remains little sensitive to changes in financing conditions. An improvement is expected, considering that investment should gradually pick up in the coming years, as a result of the demand increases, capacity utilisation rates rise and profit margins improve.

As of January 2016, 42 projects have been approved in the context of the European Fund for Strategic Investment, involving EUR 5.7 billion approved financing from EIB/EIF and an additional estimated EUR 25 billion of investments triggered. This first “wave” of projects should contribute to the relaunch of investments at EU level, as a part of the European Commission’s initiative to mobilise EUR 315 billion in additional investment over the next three years.

The return to an investment policy is to be seen in the European Commission economic forecast. The growth of investments is expected to reach 3.2% in 2016 and 4% in 2017. On top of its positive impact on GDP growth, the return of investment will support economic recovery, improving growth, competitiveness and supporting labour market performances.



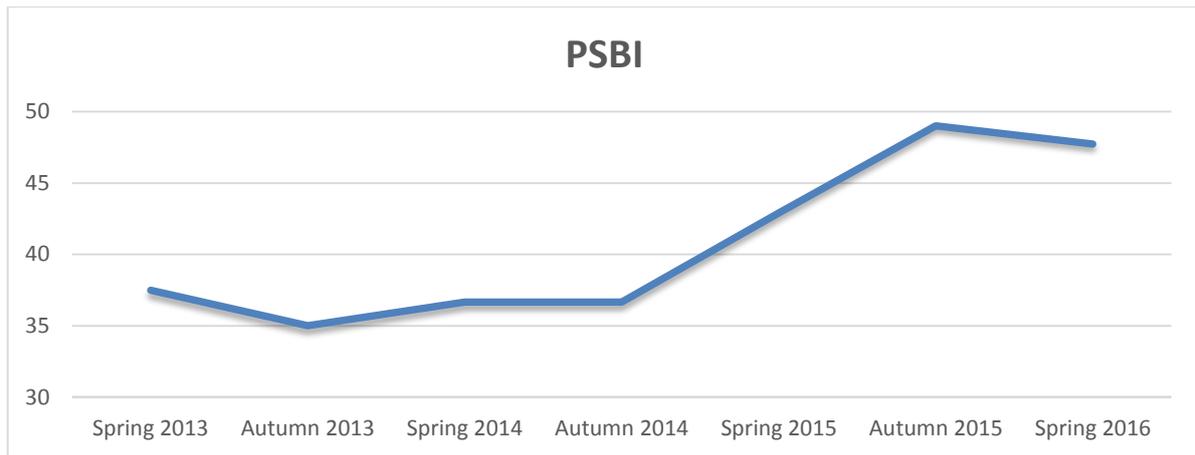
European Commission Economic Forecast, Winter 2016

The economic outlook remains however highly uncertain, with increased risks to the growth outlook from the global economy and global financial markets, in particular due to the slowing growth in China and other emerging markets. The upcoming evolution of oil prices also remain uncertain, while geopolitical tensions remain numerous. Those international developments, as well as the handling of the major EU current challenges (e.g. handling of migration flows and integration into EU labour markets, UK referendum, ...), could deeply impact the return to a sustainable growth in Europe.

GENERAL CONTEXT FOR EMPLOYERS OF PUBLIC SERVICES

In this context, providers and employers of public services have mixed feelings regarding the economic context.

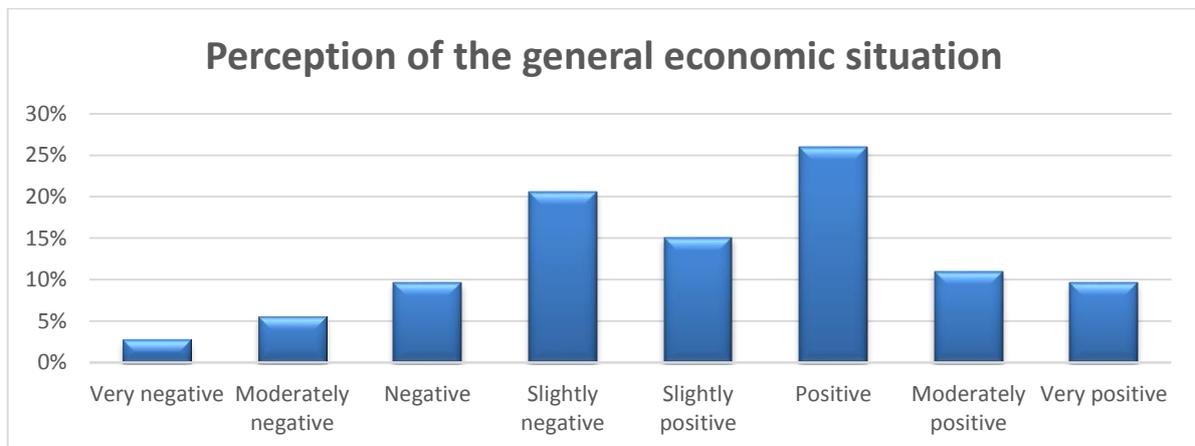
For the first time since Autumn 2014, the Public Services Business Index¹ (PSBI) slightly decreased, echoing the economic uncertainties regarding the future. However employers of public services are less negative than before 2014.



Source: Pulse of Public Services, Spring 2016

Overall, employers of public services continue to have a positive perception of the economic situation. 62% of respondents reported such a perception. This figure is in sharp decline compared to the previous survey, as 75% of respondents of the Autumn 2015 Pulse of Public Services reported having a positive perception of the economic situation.

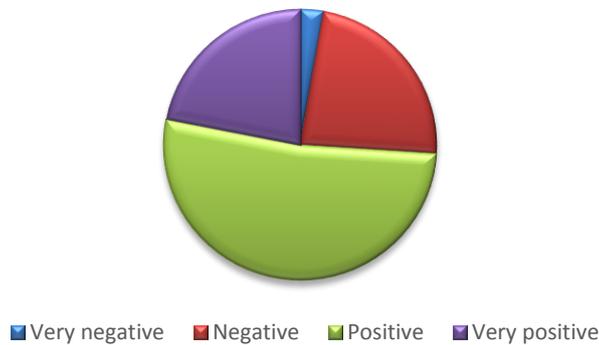
The breakdown of the answers reveals that the optimism regarding the economic situation remains “mild”: less than 10% of respondents have a very positive perception, while more than 39% reported a negative feeling.



Source: Pulse of Public Services, Spring 2016

¹ Which aggregates the expectations of respondents when it comes to employment, income and the general economic situation over the next 12 months.

Expectations of respondents on the next 12 months (% of respondents)

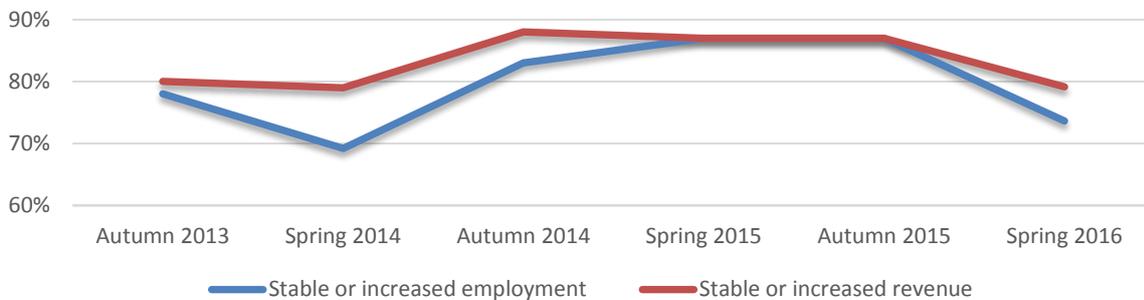


However, a majority of respondents keep reporting positive expectations for the next 12 months. 74% report positive expectations for their organisation. Cautious optimism now seems to be the new standard for providers of public services.

Source: Pulse of Public Services, Spring 2016

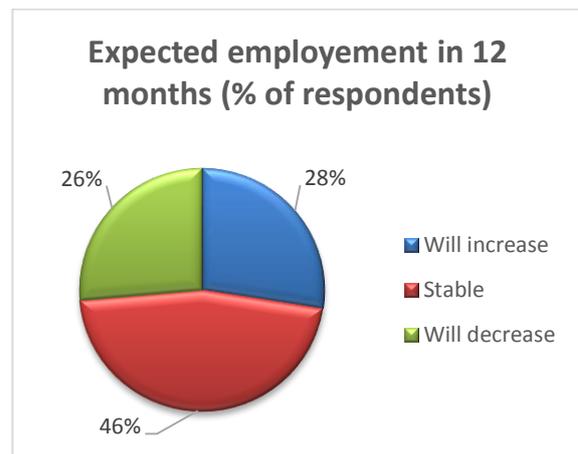
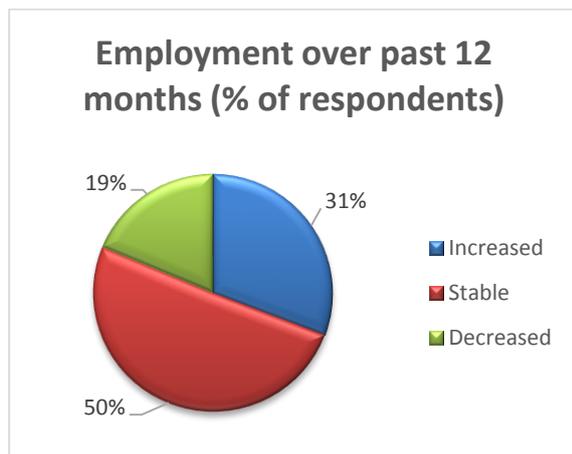
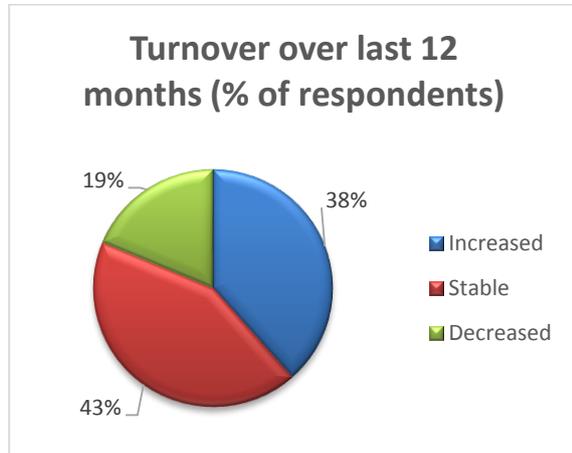
Respondents are cautiously optimistic when questioned about the foreseen evolution of employment and turnover within their organisations. While in Autumn 2015 more than 85% of respondents expected stable or increased turnover and/or employment in the next 12 months, the figures are now down to 79% and 74%. Those figures are similar to what respondents were reporting in 2013 and 2014, when the evolution of the economy was still uncertain in the direct aftermath of the financial crisis.

% of respondents, on their views on foreseen employment and revenue (next 12 months)



Source: Pulse of Public Services, Spring 2016

Overall, employers of public services are in a period of stabilisation. When asked about the evolution of employment and turnover over the past 12 months and the expectations for the 12 months ahead, a majority of employers of public services report a stabilisation or an increase in both categories:

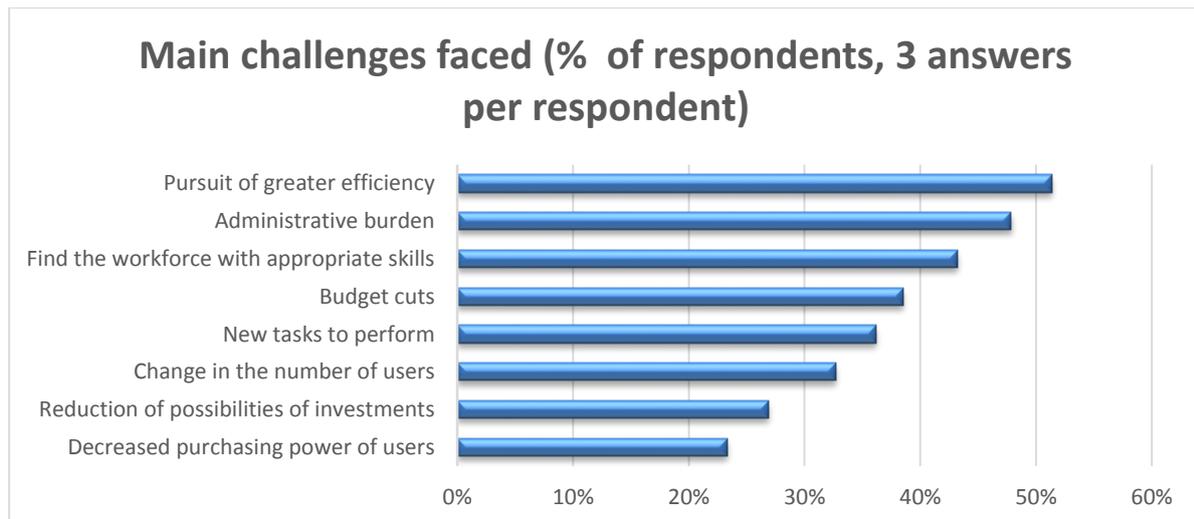


Source: Pulse of Public Services, Spring 2016

CHALLENGES FACED BY EMPLOYERS OF PUBLIC SERVICES

When asked about the 3 main challenges faced, providers of public services reported the followings issues as the most pressing:

- Pursuit of greater efficiency;
- Legislation that increases the negative impact of the administrative burden;
- Find the workforce with appropriate skills; and
- Budget cuts.



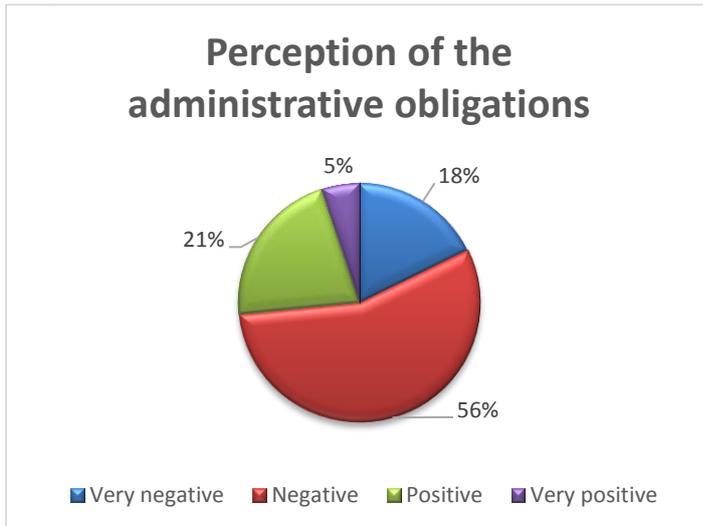
Source: Pulse of Public Services, Spring 2016

Pursuit of greater efficiency and new tasks to perform

Faced with the need to provide users (citizens and businesses) with high-quality services in time of constraint, employers of public services are constantly looking to improve the efficiency and effectiveness of their operation. The challenge “Pursuit of greater efficiency” has always been very present, and is now the issue reported as the main one, with 51% of respondents identifying this challenge in the top-3. The pursuit of greater efficiency is also directly related to the apparition of new tasks to perform, which concerns all providers of public services and is reported as a major challenge by 36% of respondents.

This challenge directly echoes with some of the most important issues tackled at the EU level, such as the digitalisation of the economy and the refugee crisis, which must be addressed without causing reductions in services to local communities.

Legislative burden



Source: Pulse of Public Services, Spring 2016

Administrative and regulatory burdens² remains the second main challenge identified by employers of public services. Such administrative and regulatory requirements threaten to complicate further administrative processes which could hamper the efficiency of services for citizens and businesses. Close to 50% of respondents report this issue as critical for the daily management of their enterprise.

When directly asked about their perception of the administrative burden on the daily functioning of their enterprise, 77% of respondents report it as having a “negative” or “very negative” impact. 25% of those respondents see the administrative requirements as having a “very negative” impact on their daily activities. More than 1 respondent out of 5 (20.8%) qualifies the administrative burden as “very negative”.

Reducing those regulatory and administrative procedures would support employers and providers of public services, helping them to re-focus on their core business and activities and face the new challenges.

² Obligations imposed by public authorities, such as reporting and monitoring obligations or constraints within public procurement procedures.

Workforce with the appropriate skillset

In the context of increased digitalisation and amidst a societal transformation, the labour market is currently undergoing major changes. Such transformation of the realities of the labour market requires a workforce able to fulfil those new missions.

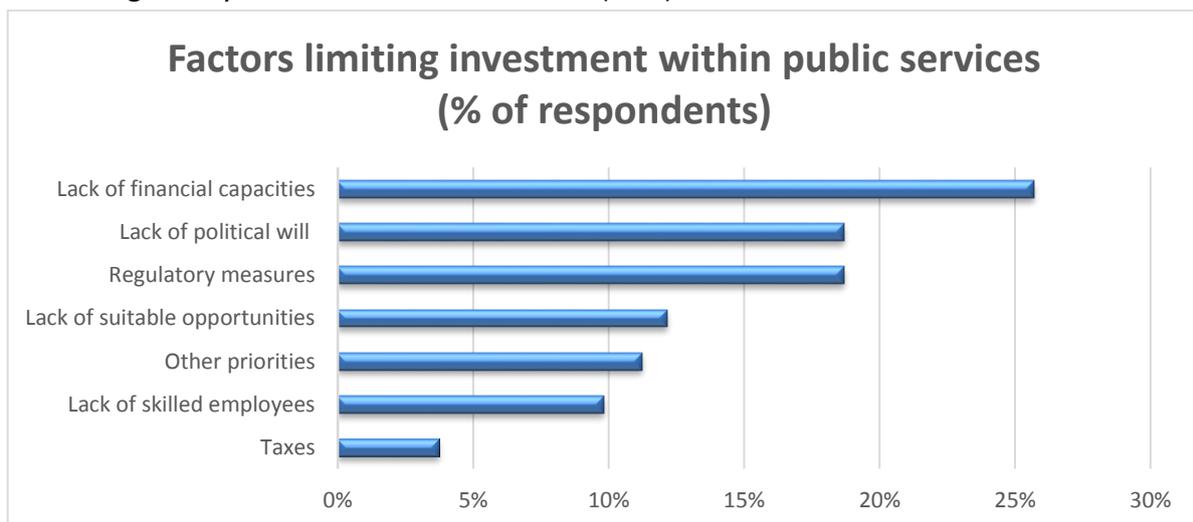
Employers and providers of public services are facing important difficulties in finding employees with the appropriate skillsets. 43% of the respondents reported this issue as one of the 3 main challenges they are currently facing. Employers of public services directly face the issue of ageing population, with about 30% of the workforce in public services being over 50 years old. While being a major societal question, the issue of re-training and providing workers with appropriate skills and qualifications is therefore all the more important for employers of public services.

Budget constraints

Employers and providers of public services keep facing a difficult context. Years of fiscal consolidation has led to both budget cuts and reduction of possibilities of investment: 38% of respondents reported “budget cuts” as a main concern, while 28% mentioned “reduction of possibilities of investment”.

When more specifically questioned about the causes and factors of this limited investment, 3 main factors were often reported:

- Lack of financial capacities (26%);
- Lack of political will (18%);
- Regulatory measures other than taxes (18%).



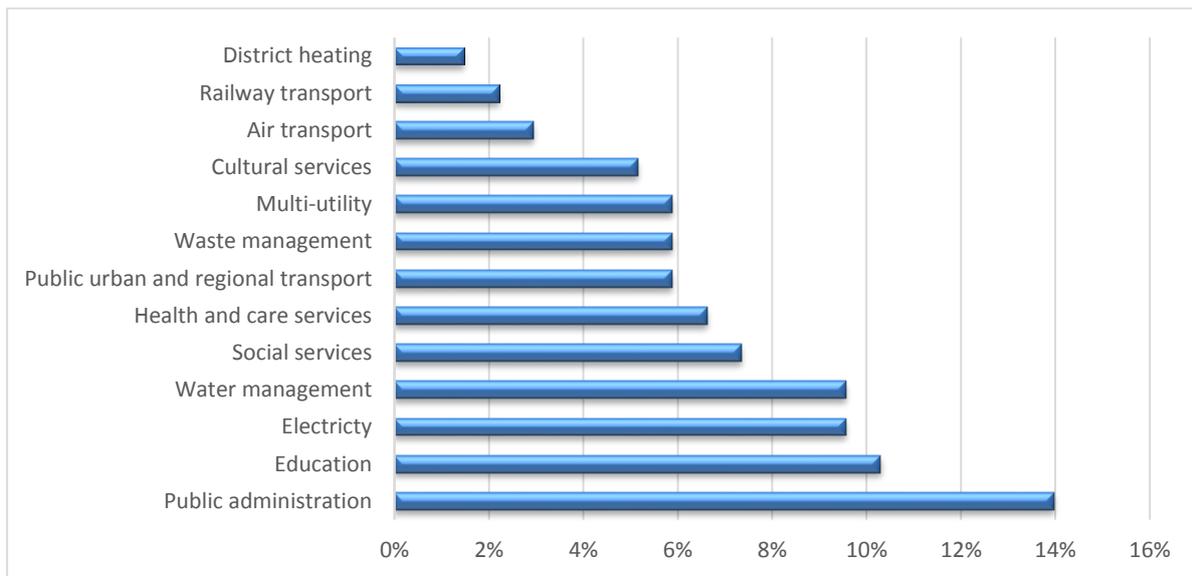
Source: Pulse of Public Services, Spring 2016

Removing those barriers – unlocking financial capabilities, showing a will to put investment at the heart of the economic model and reducing the regulatory measures – could support employers of public services in being more efficient and effective in the provision of services.

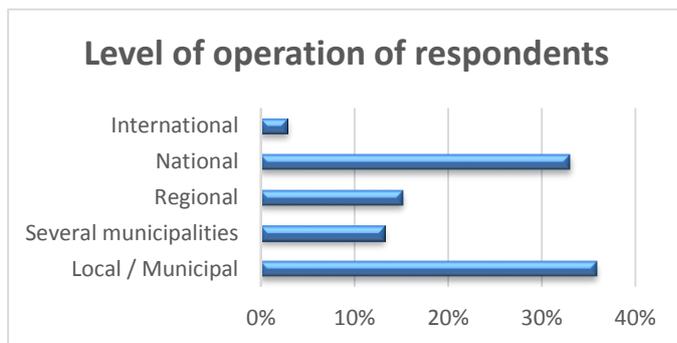
Who are the respondents?

The survey was circulated among members via CEEP National Sections and sectoral members. Answers were collected in February 2016. The survey was available in 5 languages (English, French, German, Swedish, Italian).

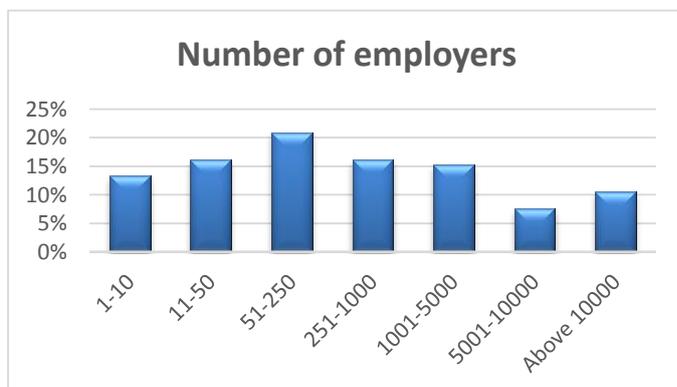
The sectors of activity of the respondents reflect the diversity of what public services encompass, from public administration to water management, including public transport, social services, education or healthcare.



Source: Pulse of Public Services, Spring 2016



The level of operation of respondents is also a fair representation of where public services' employers are active. While a majority is from the local/municipal level and "several municipalities", about 30% of respondents are active at national level, and 3% internationally.



About 50% of respondents are enterprises employing less than 250 people. In most cases, providers of public services are small organisations, not bigger than SMEs (according to the EU definition of SME). The biggest share is from enterprises employing between 51 and 250 employees, with 21% of the respondents.

Source: Pulse of Public Services, Spring 2016