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# PULSE OF PUBLIC SERVICES

## ECONOMIC CONTEXT

- The European economy is expected to continue the path towards a very slow economic growth in 2015 with a forecast of 1.3% increase of GDP according to the European Commission.
- Investment is at low level and creates a challenge for public services' providers. The level of investment is still extremely low compared to pre-crisis level.
- While so far international conflicts had limited impact on our economy and more specifically on inflation and costs of energy, in a limited growth situation, increased international tensions could pose a number of high risks to the EU economy and more specifically to the price of commodities and the securing of our resources.

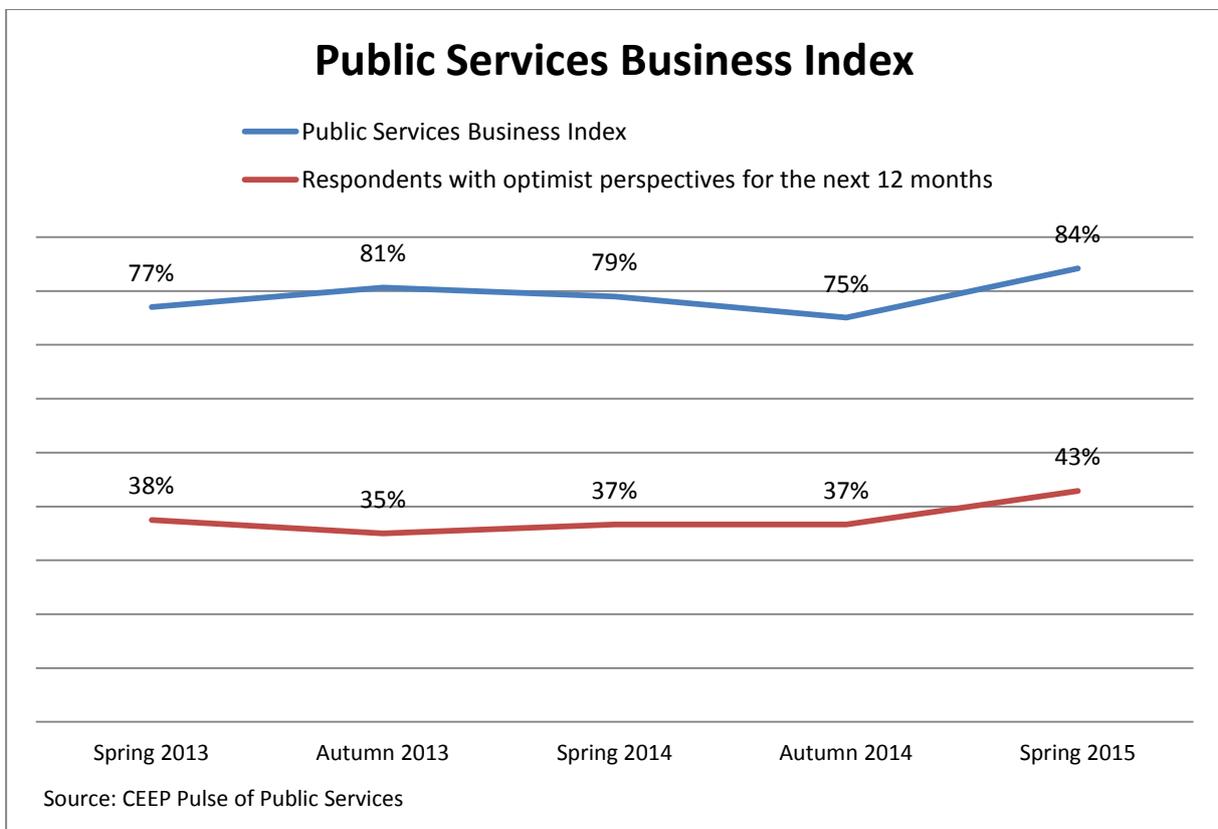
## KEY OUTCOMES OF THE SURVEY

- According to the survey, additional investments are needed. It also indicates that investments should clearly focus on training the workforce to have skills fitting better the needs of enterprises.
- A little less than half of the respondents consider that recruitment of people with appropriate skills is among the top three challenges within their services.
- "Budget cuts" is still recognized as one of the main top challenges for public services' providers across Europe and a third of respondents experience funding issues in their enterprises.
- The economic outlook is clearly slightly more positive than in the previous studies. This could indicate some kind of a turnaround in the economy.
- Three main challenges for public services' providers: administrative burden, pursuing greater efficiency and finding the workforce with the appropriate skills.

## A MORE POSITIVE VIEW TOWARDS THE FUTURE

The **Public Services Business Index**<sup>1</sup> has climbed by 5 p.p. compared to the same period one year ago and has increased by 9 p.p. compared to the previous semester. As shown below, this is the first time since autumn 2013 that this index has risen above 80. This indicates that respondents consider that they will evolve in a better, or at least similar, economic context for the next 12 months.

Nevertheless, important breakdown can be seen from the respondents coming from countries where the economy was hit the hardest by the crisis and sectors relying more on public funds such as health and education.



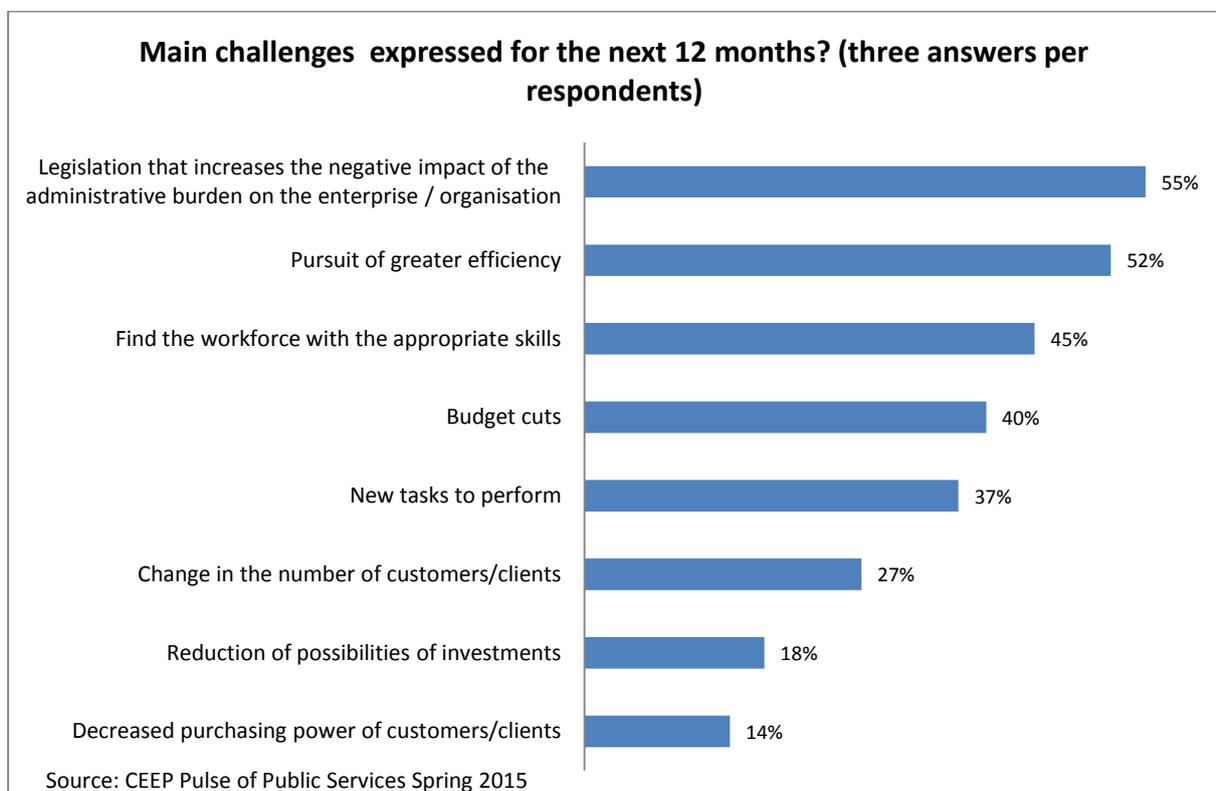
<sup>1</sup> This index aggregates the view of respondents when it comes to employment, income (revenue and turnover) and the general economic situation over the next 12 months.

## KEY CHALLENGES AHEAD: HR AND ADMINISTRATIVE BURDENS ARE IMPORTANT DIFFICULTIES

When asked to rank the three main challenges that impact their services, leaders of public services consider the answers "Legislation that increases the negative impact of the administrative burden" as one of the main challenges, followed by "Pursuit of greater efficiency" and "Find the workforce with the appropriate skills".

Also, despite the return to economic growth, the answer "Budget cuts" remains high on the list, being mentioned by 40% of the respondents as one of the three main challenges.

"Pursuit of greater efficiency" tends to be the rising issue for leaders of public services, with 52% of respondents putting this challenge as one of the major ones faced.



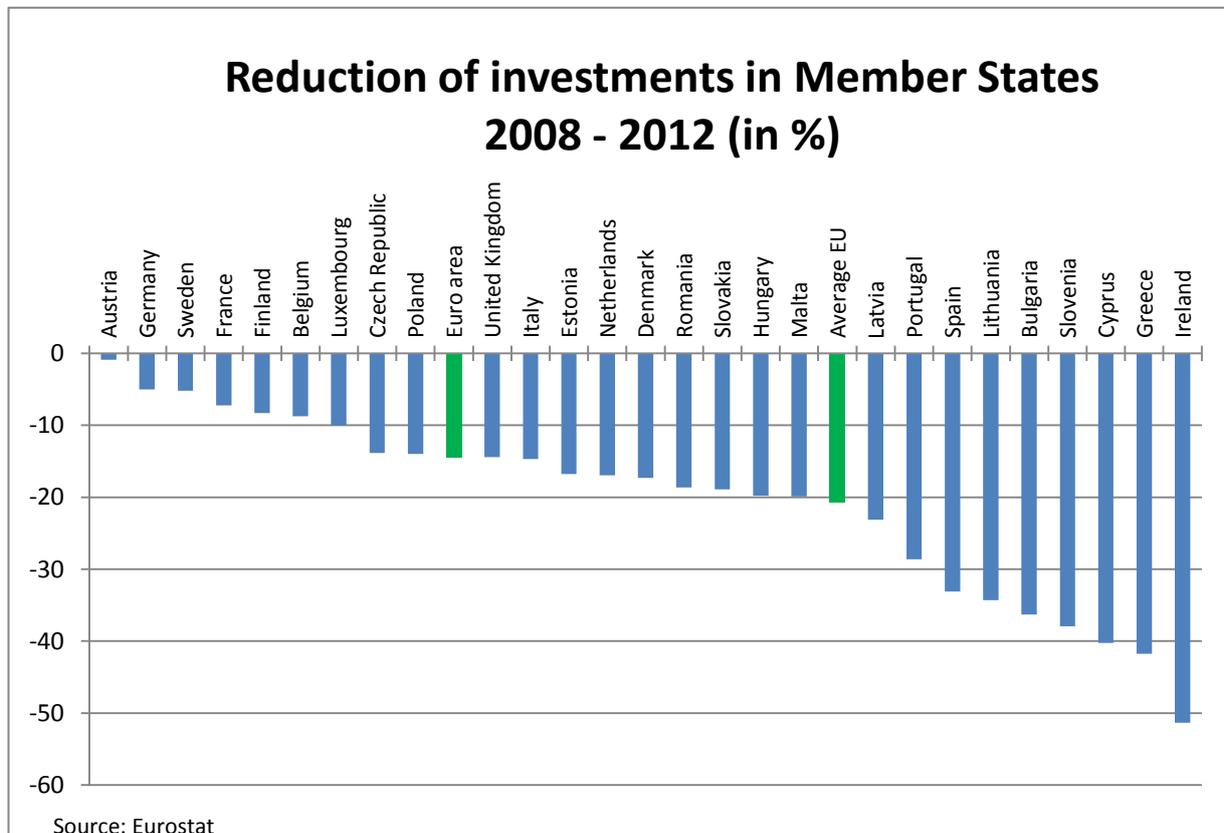
To the additional question "Do you experience funding issues in your enterprise?", a third of the respondents answered positively. The issue is more frequently mentioned by respondents for sectors such as social and cultural activities, with half of respondents answering positively.

## INVESTMENT IS A CHALLENGE TO OUR FUTURE

Raising the level of investments is a key priority for the incoming European Commission.

The answers related to funding issues in the survey can be correlated to the sharp reduction of investments observed around Europe. According to Eurostat, from 2008 until 2012, important cuts in investments have taken place all over Europe, with a cut of 20,7% on EU average in five years.

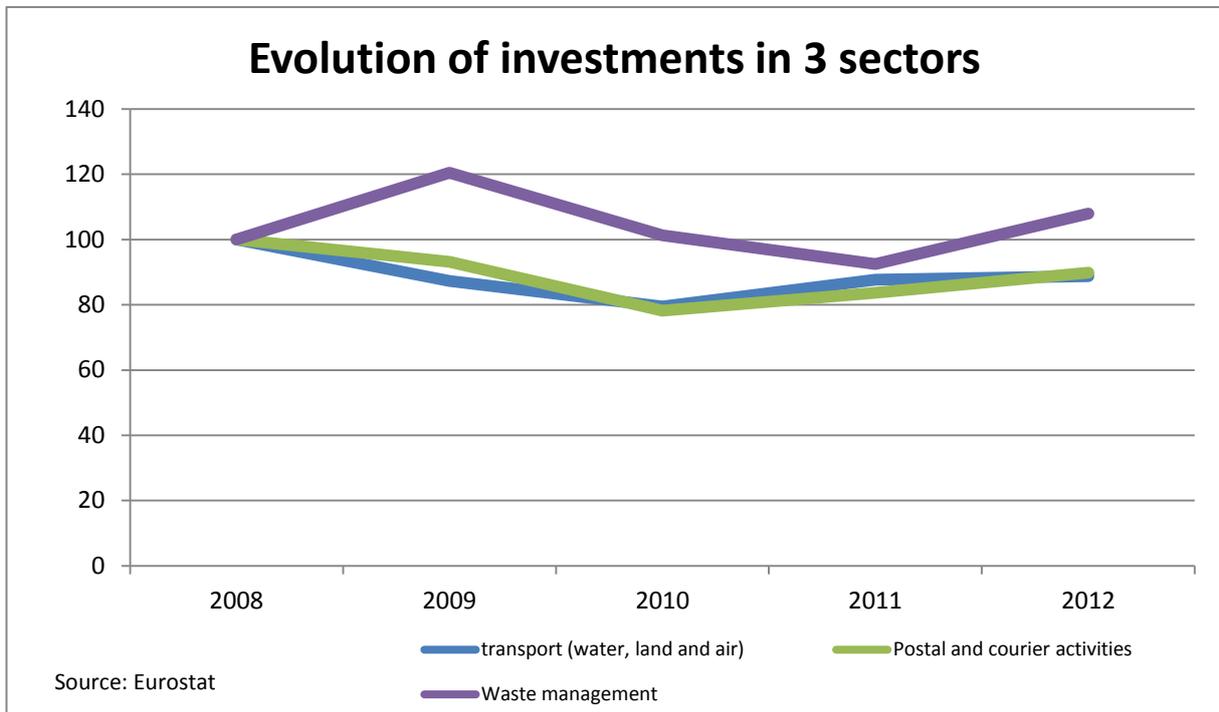
Without surprise, the countries under financial assistance (Cyprus, Greece, Hungary, Ireland, Latvia, Portugal, Romania, and Spain) are the hardest hit by this decrease of investments providing an additional challenge to their future.



On a more limited scale, public services reduced their investments. The transport sector faced cut in investment of around 12% over five years, whereas postal and courier activities have seen a reduction of 11% compared to 2008.

After large investments in 2009 in waste management (probably scheduled before the beginning of the crisis), important cuts took place in 2011 with reduction in investment by 13%. Without surprise, once again, the countries that are under financial assistance programme are the most affected which adds a challenge to their future.

Given the very low investment level by both governments and private operators, we very much welcome the creation of the European Fund for Strategic Investments to overcome the current market failure.



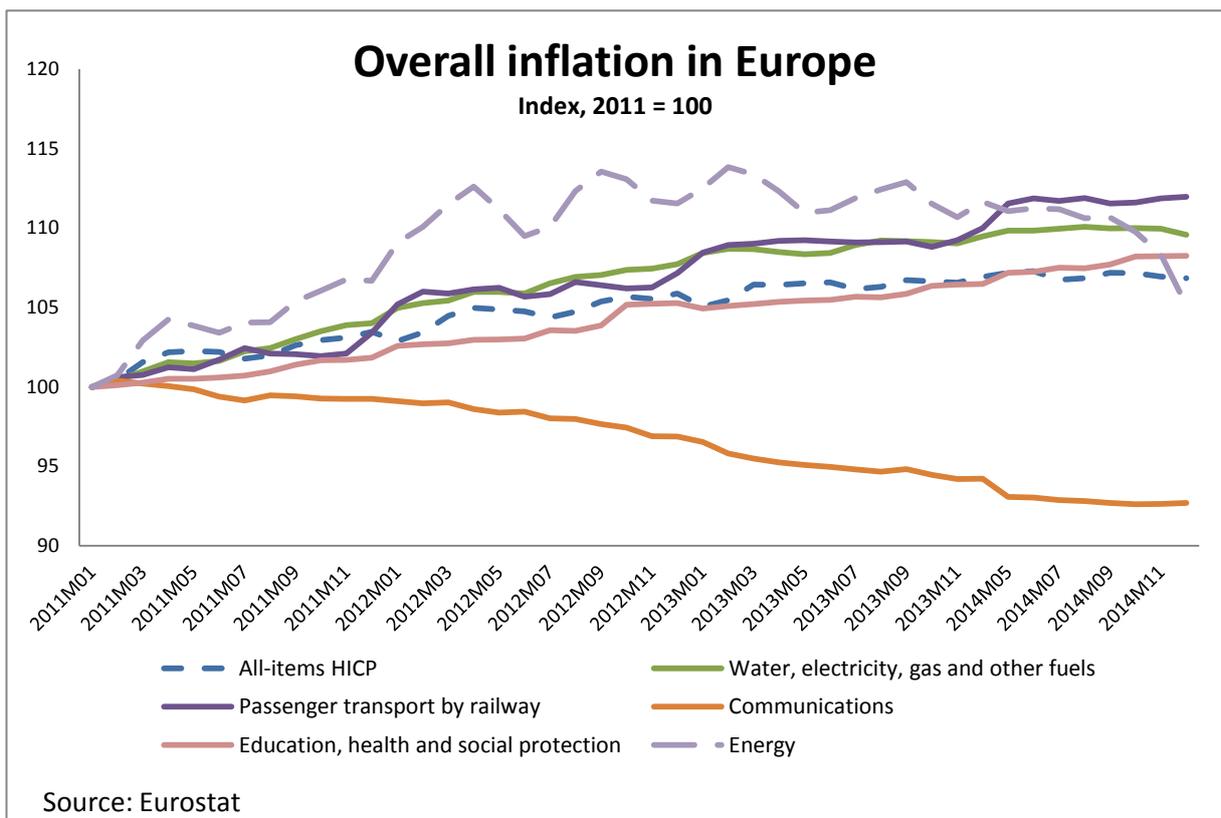
## ENERGY PRICES AND PUBLIC SERVICES

### KEEP INFLATION UNDER CONTROL

As well documented by, and according to, Eurostat, the inflation rate is particularly low and risks of deflation are of great concern. The important decrease in energy prices observed in 2014 and 2015 (the current energy costs are now at the 2011 level) and the reduction of food price pressured down the inflation rate in Europe.

Also, the evolution of prices related to "Education, health and social protection" remained lower than the inflation from 2011 until July 2014 when the energy and food price pushed the average inflation down.

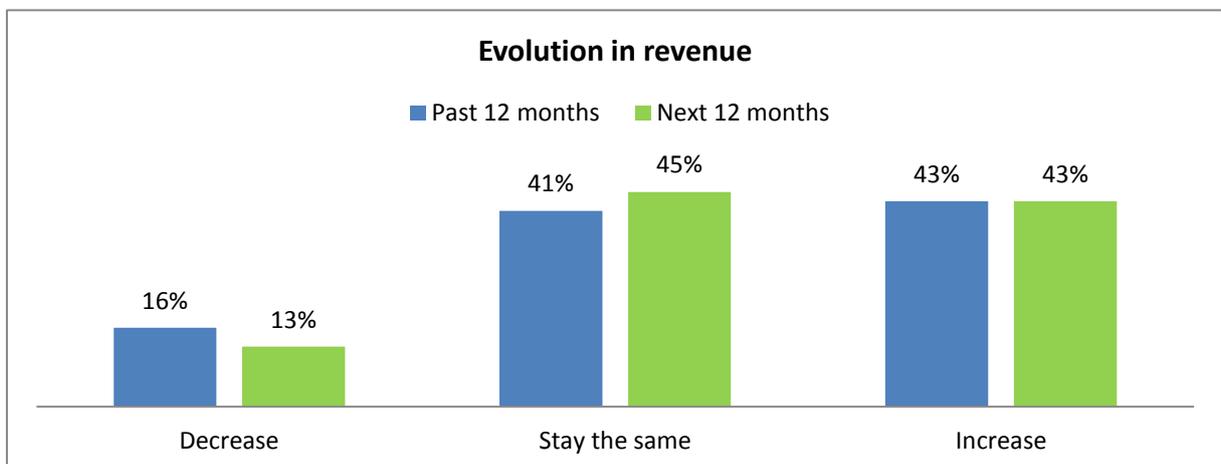
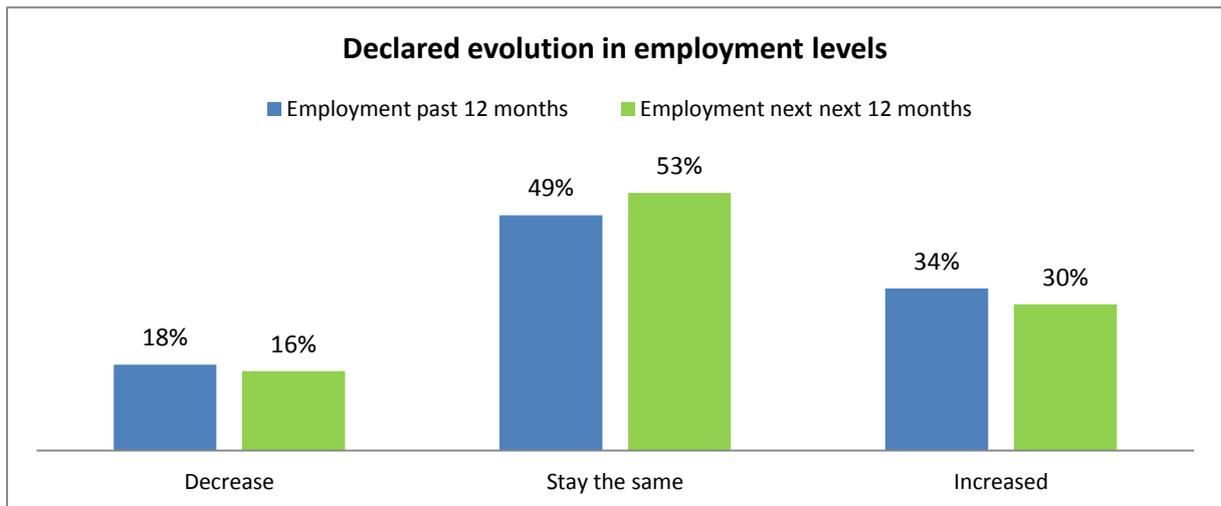
Nevertheless, risks remain as the prices of energy imports are closely linked to the exchanged rate between the Euro and the dollar and the price of oil, directly linked to the geopolitical situation. With around a third of its oil and natural gas imports coming from Russia, Europe depends to an important extend on external geopolitical factors for its basic energy needs.



## STABILISATION OF THE EMPLOYMENT LEVELS IS UNDER WAY

The better outlook in economy is partly confirmed by the declared positive evolution in employment creation. Respondents are fairly optimistic, with 30% foreseeing jobs creation within their enterprises in the next 12 months and 53% foreseeing a stabilisation in the amount of employees.

The outlook is even more positive for the revenue, where around 43% of respondents think that revenue will increase.



## WHO ARE OUR RESPONDENTS?

In total, the Pulse Of Public Services collected 1150 answers in five editions. The survey was conducted using an online dedicated platform opened to all members of CEEP.

Around 60% of respondents were from enterprises with less than 250 employees and around 40% of the respondents answered that they employ more than that.

51% of the respondents operate within network services (sectors such as public transport, rail, water and waste management, energy, etc.). Close to a fifth operate in non-economic services of general interest (category that includes social housing, social services, healthcare, etc.) which is almost equal to the respondents operating within public administration.

Almost 3 respondents out of 10 operate at municipal level, a similar amount for those operating at inter-municipal level. Close to a fifth of respondents operate at national level.

