

PULSE OF PUBLIC SERVICES – AUTUMN 2016

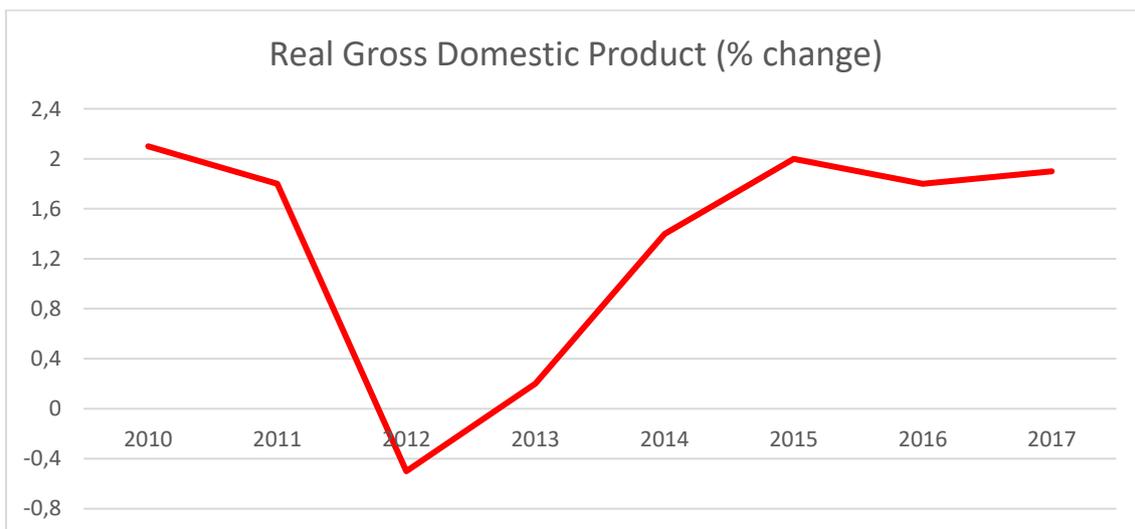
SUMMARY

- Amidst fears for the global economy, the EU continues to grow at a modest rate. In this context, employers of public services report **good results for the past 12 months**, and are **optimistic regarding the near future**.
 - The **Public Services Business Index (PSBI)**, which aggregates the expectations of respondents when it comes to employment, revenue and the general economic situation, remains at the same level as in October 2015 and March 2016. The indicator has risen by 30% (percentage change) since 2014, but is stagnating in 2016.
 - This trend can also be seen on the expected evolution of revenue and of employment: the **consolidation over the last period is confirmed**, with a decrease in the proportion of organisations expecting cuts in employment (from 26% to 20%) and decreased revenue (from 21% to 10%). 38% of respondents will hire new employees in the next 12 months, while 40% reports positive expectations regarding the evolution of their revenue.
- Public services' employers report **“budget cuts”**, the **“administrative and regulatory burden”** and **“pursuit of greater efficiency”** as their biggest challenges.
 - **More than 60% report “budget cuts”** as one the three main challenges they face in their daily operations.
 - Employers of public services bring forward the **lack of financial capabilities and of political will** as the two top limitations to investments. **Regulatory measures** and **taxes** are also perceived as factors hampering investments in many organisations.
 - Many employers and managers of public services also report **“pursuit of greater efficiency”** and **“new tasks to perform”** as important challenges. Following years of downturns, those issues signal a new direction for many providers of public services, as the scope of their missions is widening and they have to adapt to a changing environment resulting from, amongst others, the digitalisation of the society.

ECONOMIC OUTLOOK

After years of economic crisis and stagnation, the long-awaited economic recovery remains moderate. The main initiatives of the European Commission, such as the rolling-out of the Investment Plan, the Energy Union, the Circular Economy and the Digital Single Market strategy are expected to support the EU economic restart, in a global context which remains highly unstable. While Europe has seen a continuous slow growth in its GDP since 2014, global GDP growth is now at its weakest since 2009, while volatility has increased in financial markets and international trade volume has remained low. The recovery in advanced economies seems to be losing momentum, adding to the fear for the coming years. The Brexit is a new factor pondering the expectations, as its consequences on the EU and the global economy remain hard to estimate.

According to the Spring 2016 European Economic Forecast of the European Commission, the real GDP of the EU is set to keep growing in 2016 and 2017, at 1.8% and 1.9% per year, close to the evolution the EU faced prior to the economic crisis.



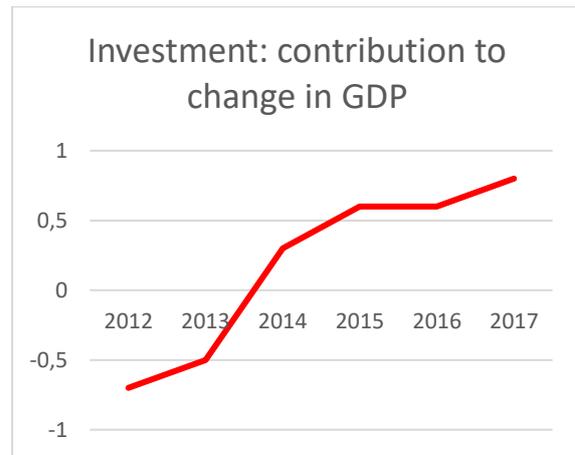
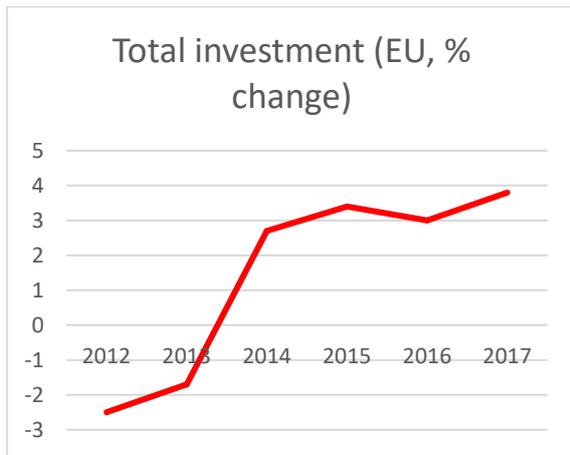
European Commission Economic Forecast, Spring 2016

However, despite the Investment Plan, the setting up of the EFSI and the modest but positive growth seen over the past few years, investment has not really picked up yet in Europe. Investment fails to emerge as a driver of the recovery, and remains little sensitive to changes in financing conditions. An improvement is expected, with investment picking up in the coming years, as a result of increased demand, a rise in capacity utilisation rates and improved profit margins.

The political developments should also bring investments back. As of July 2016, 189 projects – infrastructure and innovation projects and SME financing agreements included – have been approved in the context of the European Fund for Strategic Investment, involving EUR 20.4 billion approved financing from EIB/EIF and an additional estimated EUR 115.7 billion of investments triggered. Mainly focussed on SMEs, the energy sector and R&D, this first “wave”

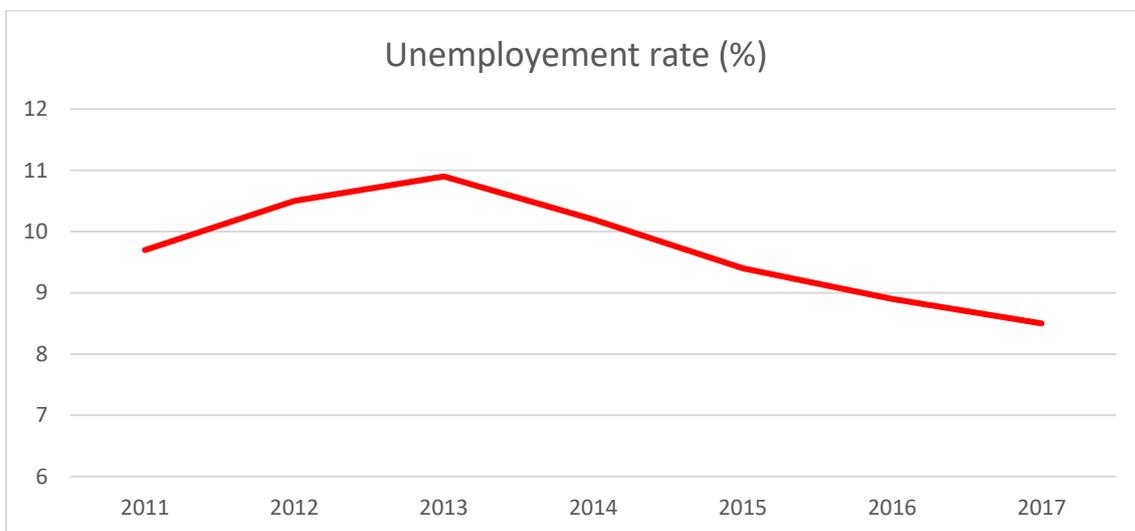
of projects should contribute to the relaunch of investments at EU level, and push the EU institutions to quickly agree on the prolongation and improvement of the EFSI beyond its initial deadline of 2018. CEEP now calls for better channelling investments to social projects' promoters as it is an important priority. Referring to the social economy in this regard is not enough; a specific focus on investments in social infrastructures is needed in EFSI 2.0 to further support economic growth and social cohesion.

The return to an investment policy can be seen in the European Commission economic forecast. The growth of investments is expected to reach 3% in 2016 and 3.8% 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, Spring 2016

Prolonging the lifespan of the EFSI should also support the performances of labour markets. 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, 8.9% in 2016 and to 8.5% in 2017.

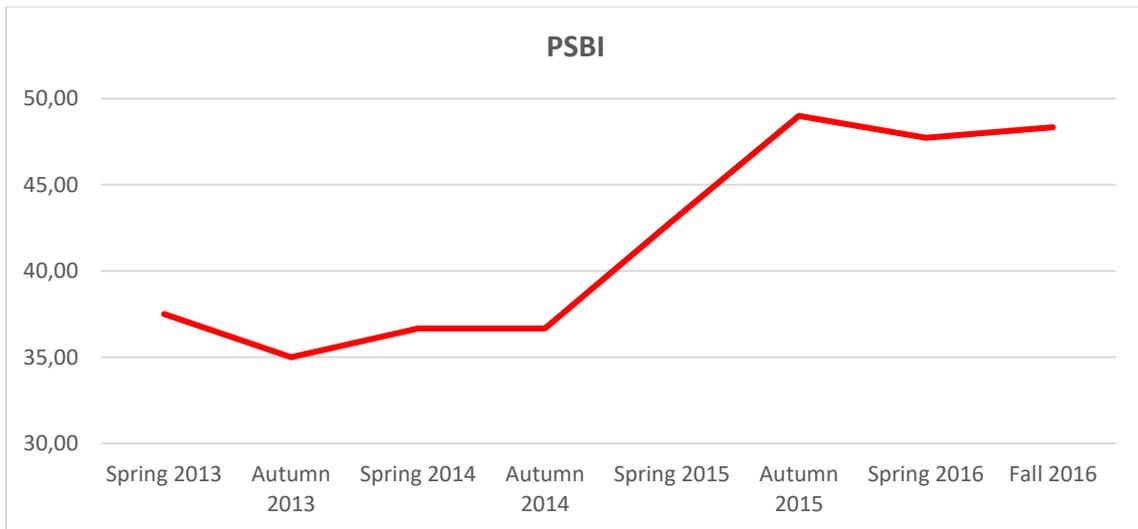


European Commission Economic Forecast, Spring 2016

GENERAL CONTEXT FOR EMPLOYERS OF PUBLIC SERVICES

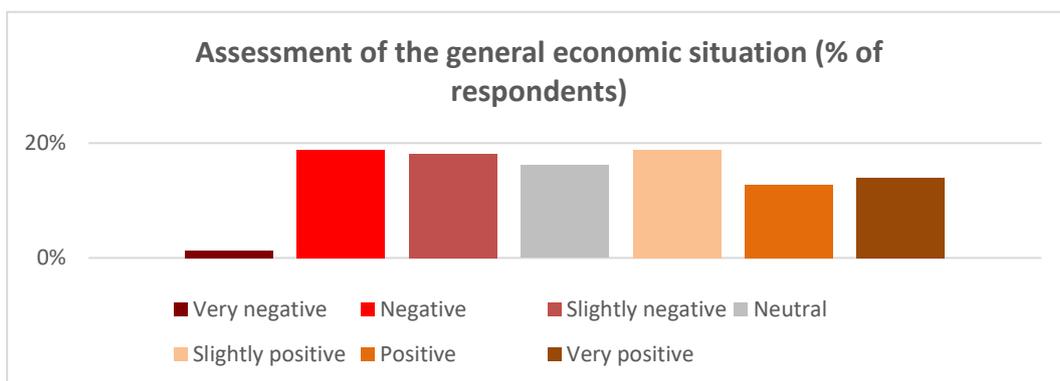
Providers and employers of public services have relatively positive feelings regarding the economic context.

The Public Services Business Index¹ (PSBI) remains near its highest level since 2013, and provides a good estimate of the way employers of public services see the future: it is less negative than a few years ago, while in the middle of the crisis; the early stages of the recovery are being felt, but it remains a fragile optimism.



Source: Pulse of Public Services, Autumn 2016

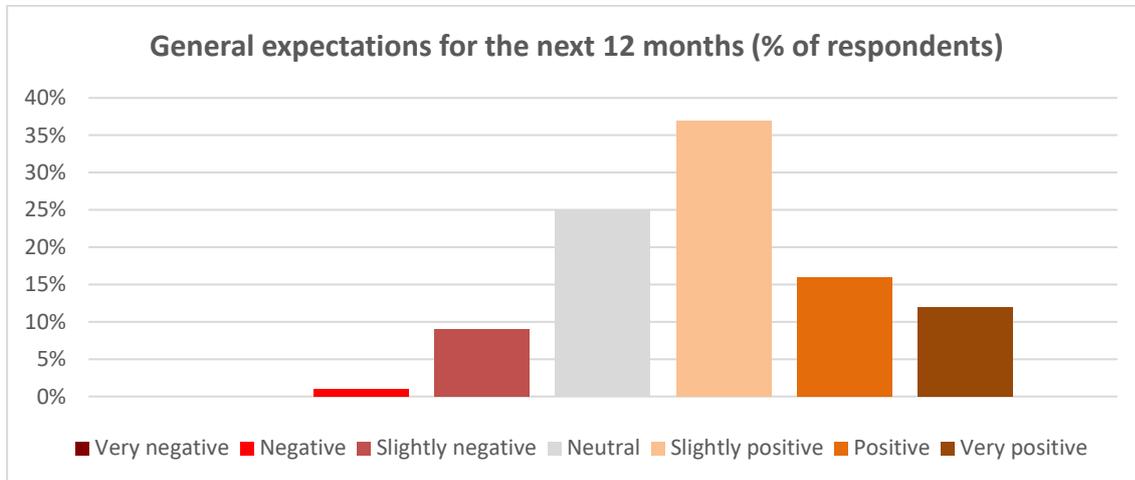
Overall, a majority of employers of public services now has a rather positive perception of the economic situation, 62% of respondents reported such a perception, a similar figure as in Spring 2016. This figure is however in sharp decline compared to the previous survey, as 75% of respondents of the Autumn 2015 Pulse of Public Services reported having a positive perception of the economic situation.



Source: Pulse of Public Services, Autumn 2016

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

When it comes to addressing the expectations of employers of public services for the coming 12 months, the picture is rather positive. A wide majority of respondents – 90% – reports neutral or positive expectations for the next 12 months for their organisation, out of which only 25% are neutral.

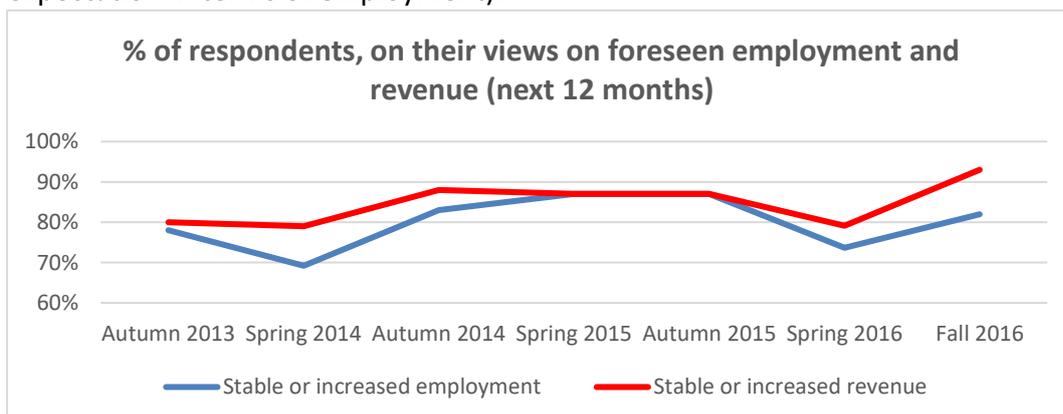


Source: Pulse of Public Services, Autumn 2016

Whilst the analysis of the past few months brings negative feelings, it seems that for employers of public services the worst of the crisis is behind them, and that a positive outlook is now strongly emerging.

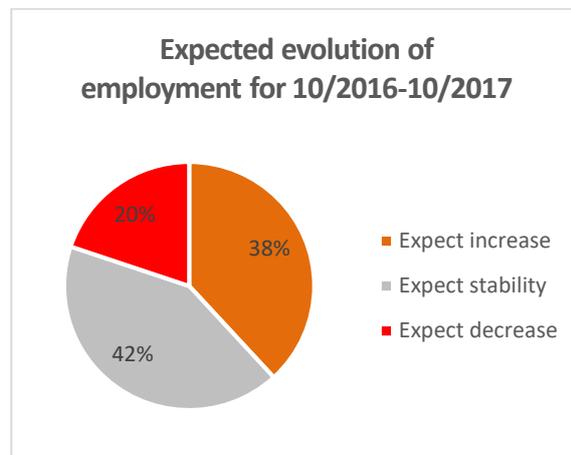
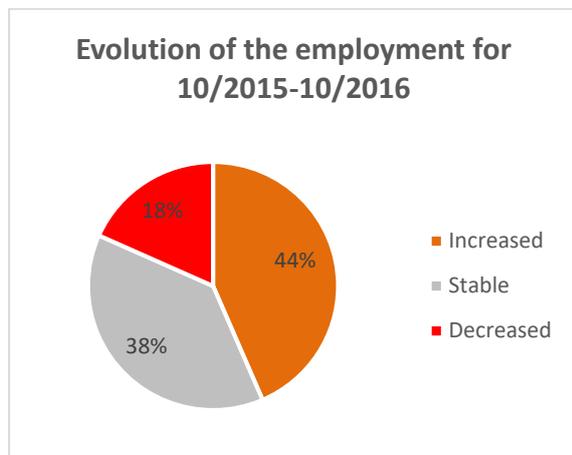
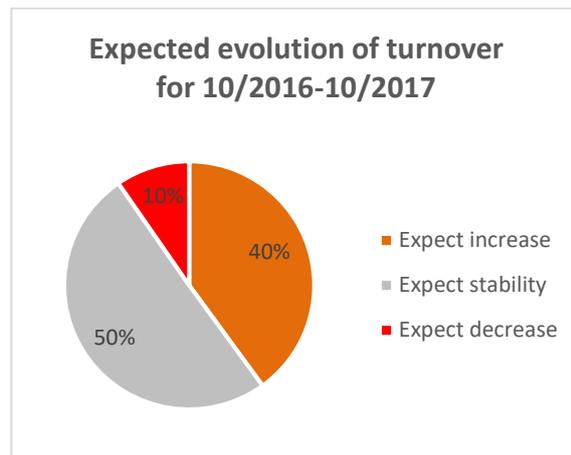
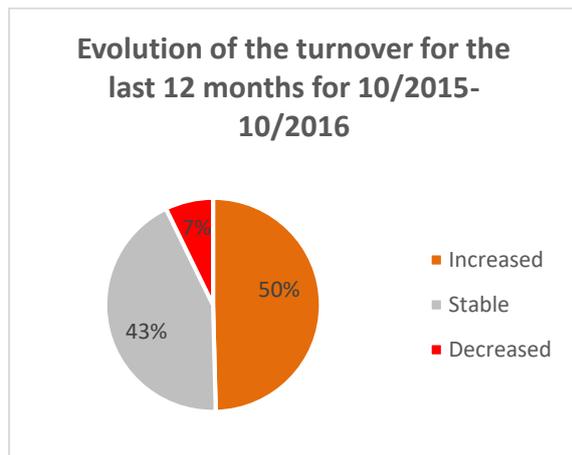
Respondents are optimistic when questioned about the foreseen evolution of employment and turnover within their organisations. For the first time since 2013, more than 90% of the respondents expect stable or increased revenue in the coming year. The foreseen evolution of employment in the organisations is also expected to move positively, as 80% of respondents are convinced that employment in their organisation and enterprises will go up or stay at a similar level.

The contraction process has come to a term, and we now see managers and employers of public services having a more optimistic perspective regarding the future, both at short (as illustrated by the expectation in terms of revenue) and long-term (as illustrated by the expectation in terms of employment).



Source: Pulse of Public Services, Autumn 2016

Overall, employers of public services see a return of growth. 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, confirming the trend foreseen in March 2016. Only 10% of the respondents (down from 21% during the previous Pulse of Public Services) expect a decrease in the turnover of their organisation, and 20% expect job cuts in the coming 12 months (down from 26% in March 2016).

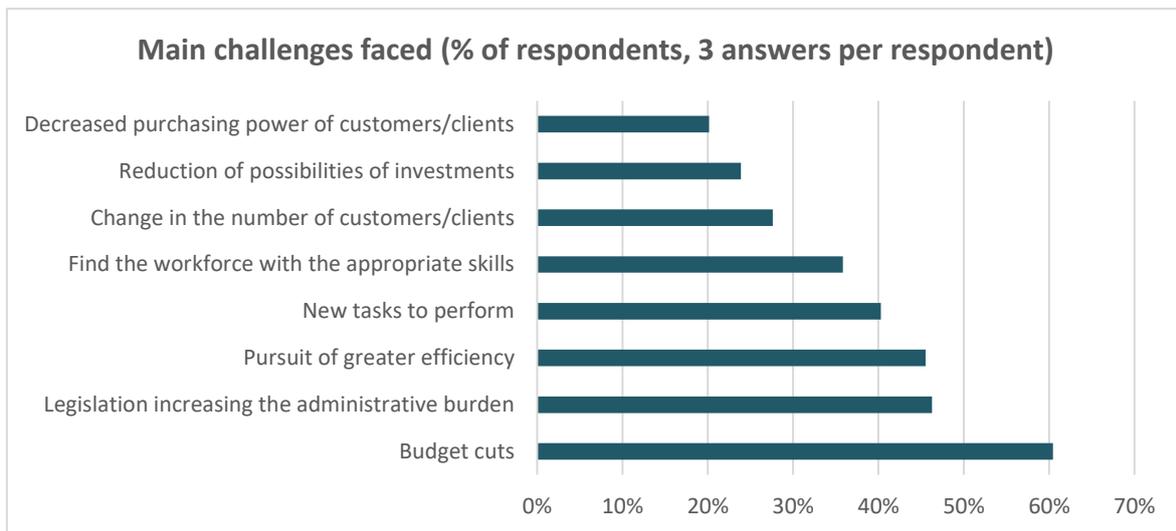


Source: Pulse of Public Services, Autumn 2016

THE CHALLENGES FOR EMPLOYERS OF PUBLIC SERVICES

When asked about the three main challenges they currently face, providers of public services reported the followings issues as the most pressing ones:

- Budget cuts;
- Legislation increasing the administrative burden;
- Pursuit of greater efficiency.

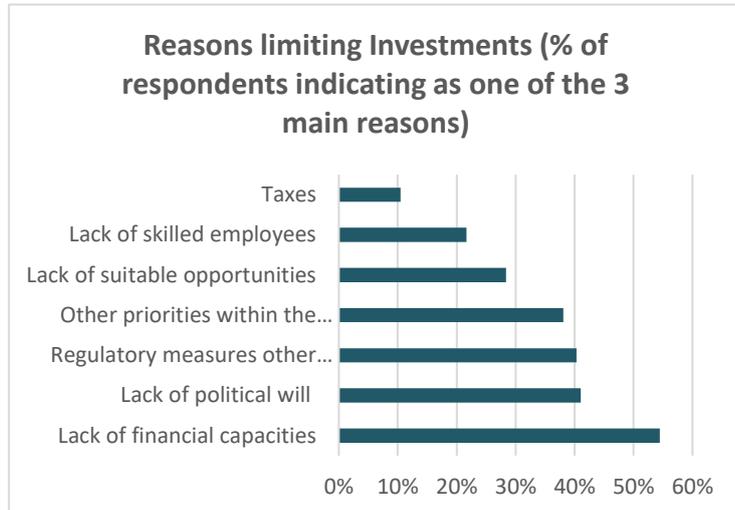


Source: Pulse of Public Services, Autumn 2016

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: 60% of respondents reported “budget cuts” as a main concern, leading to

reduced opportunities of investment, while others reported the reduction of possibilities of investments as another challenge.



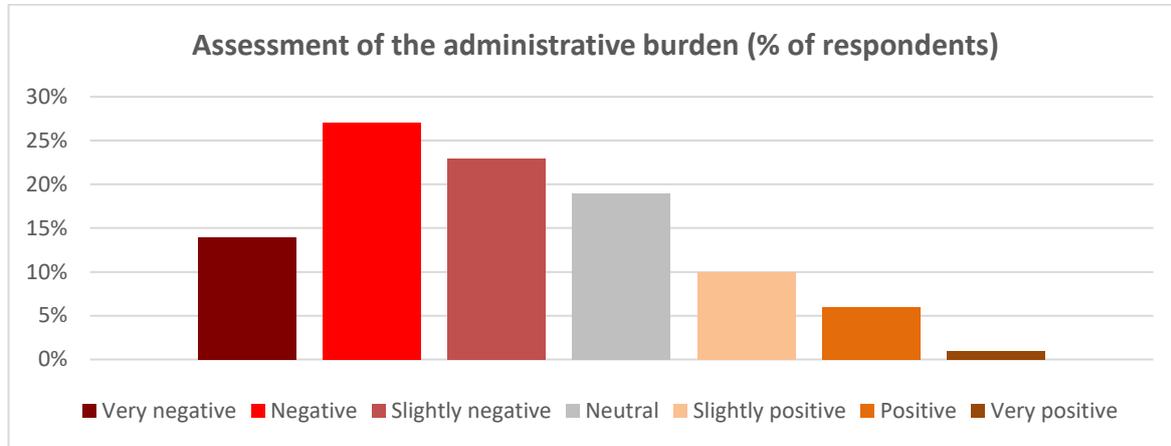
Source: Pulse of Public Services, Autumn 2016

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

- Lack of financial capacities (23%);
- Lack of political will (18%);
- Regulatory measures other than taxes (17%).

For employers and providers of public services, the investment gap they face seems to be a political issue, requiring a remobilisation and a proper channelling of the funds available to project promoters.

Legislative burden



Source: Pulse of Public Services, Autumn 2016

Administrative and regulatory burdens² remains the second biggest challenge. Administrative and regulatory requirements keep threatening to complicate further administrative processes which could hamper the efficiency of services for citizens and businesses. 46% of respondents report this issue as one of their three main challenges, including one out of three stating it to be their main challenge for the daily management of their enterprise.

While remaining a key challenge, the perception of the administrative burden seems to be improving. When directly asked about their perception of the administrative burden on the daily functioning of their enterprise, 64% of respondents report it as having a “negative” or “very negative” impact (down from 77% in March 2016). 19% of the respondents have mixed views, stating a neutral stance regarding the administrative burden.

The improvement in the perception of the administrative burden should lead to further support for employers and providers of public services, helping them to re-focus on their core business and activities and face the new challenges.

Pursuit of greater efficiency and new tasks to perform

Faced with the need to provide users (citizens and businesses) with high-quality services in times of constraint, employers of public services are constantly seeking to improve the efficiency and effectiveness of their operation. The challenge “Pursuit of greater efficiency” has always been very present, with 46% of respondents identifying this challenge in the top-3. The pursuit of greater efficiency is also directly related to the emergence of new tasks to perform, which concerns all providers of public services and is reported as a major challenge by 40% of respondents.

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

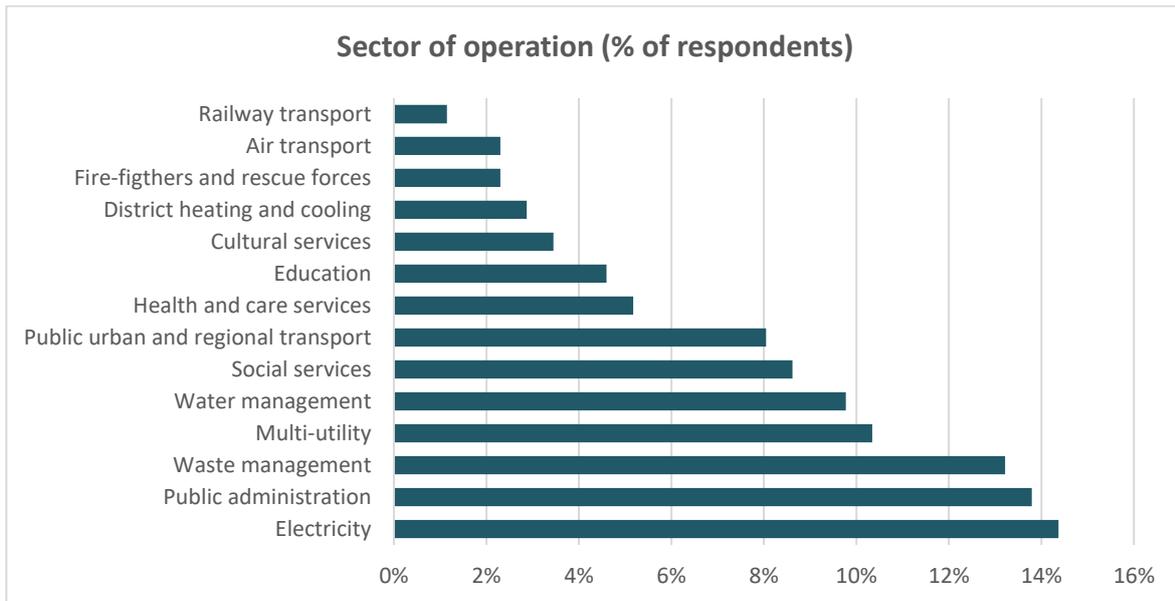
This challenge directly echoes with some of the most important issues tackled at the EU level, such as the digitalisation of the economy and the refugee crisis, which must be addressed without causing reductions in services to local communities, leading managers of public services to reconsider the way they operate in a post-economic crisis context.

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?

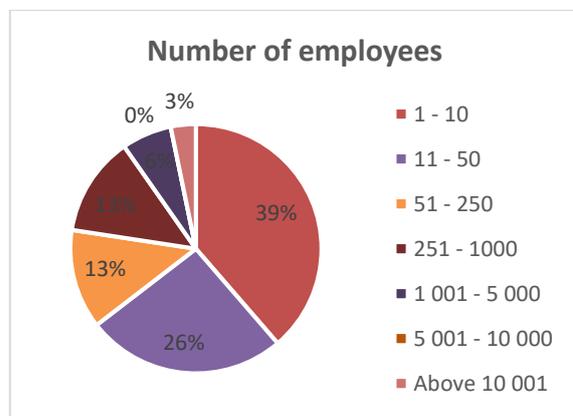
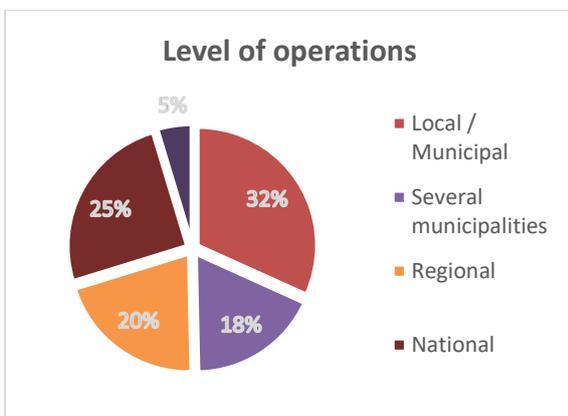
The survey was circulated amongst CEEP members via its national sections and amongst its sectoral members. Answers were collected in September 2016. The survey was available in 5 languages (English, French, German, Swedish, Italian).

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, Autumn 2016

The level of operation of respondents is also a fair representation of where public services' employers are active. Whilst a majority – 60% – is from the local/municipal level and “several municipalities”, about 25% of respondents are active at national level, and 5% internationally. About 75% 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).



Source: Pulse of Public Services, Autumn 2016