

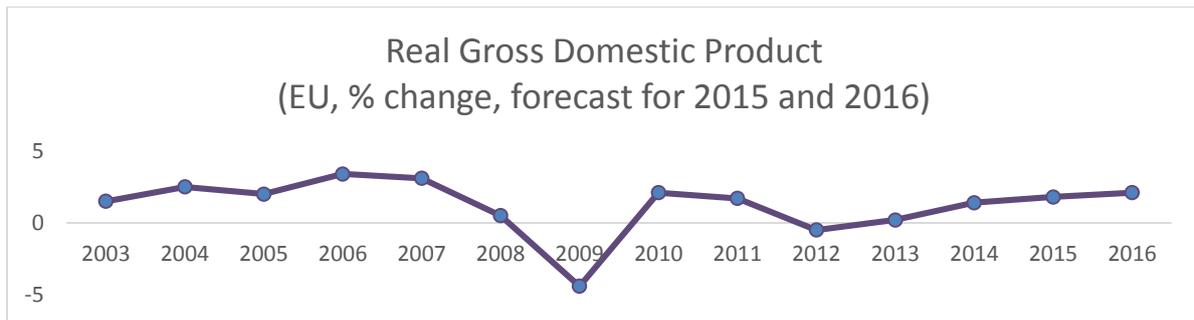
PULSE OF PUBLIC SERVICES – AUTUMN 2015

Summary

- Following years of economic downturns, **Europe's economies are now slowly recovering**, thanks to a diversity of factors including a more differentiated fiscal consolidation and the shift toward a more supportive EU monetary policy (through the quantitative easing of the ECB) and conjuncture factors such as low oil prices.
- **For providers of public services, the economic recovery is starting to be felt.** The Public Services Business Index (PSBI) confirms the trend foreseen in spring 2015. The indicator rose by 14 points compared with last year, confirming that employers and providers of public services have more positive expectations than in the past 3 years.
- The share of employers of public services foreseeing **stable or increasing revenue remains very high**. From 80% in autumn 2013 and 79% in spring 2014, the figure rose to 87% in autumn 2015. More than 8 providers of public services out of 10 are therefore expecting financial stability for the next 12 months.
- A majority of public services' employers expect to **maintain the size of their workforce or increase employment levels in their enterprise in the next 12 months**. Compared with figures reported in 2013 and 2014, the situation evolved: while in spring 2014, about 30% of the **respondents feared having to go through cuts in employment, the figure dropped to 13% in autumn 2015**.
- Public services' employers report **"legislation increasing the administrative burden", the "pursuit of greater efficiency" and "finding workforce with appropriate skills" as their biggest challenges**.
 - More than **40% of the respondents report administrative and regulatory burden** as critical for the daily management of their enterprise.
 - Providers 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 equipped with appropriate skillsets**.

Economic situation in the EU

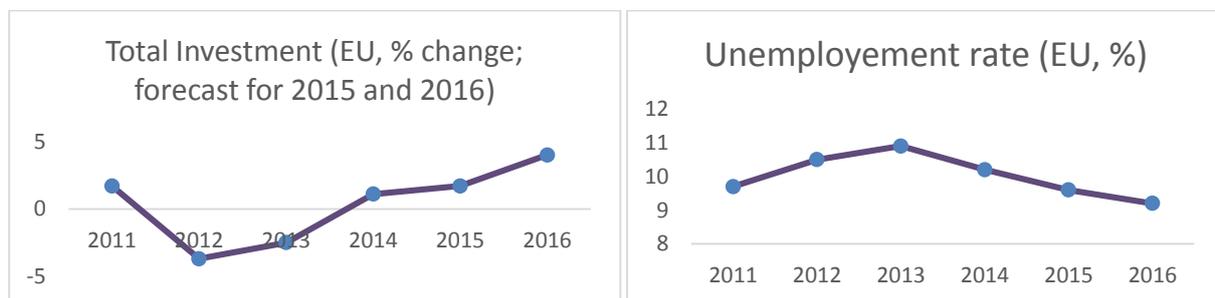
Following years of economic downturns, Europe's economies are now slowly recovering, thanks to a diversity of factors including a more differentiated fiscal consolidation and the shift toward a more supportive EU monetary policy (through the quantitative easing of the ECB) and conjuncture factors such as low oil prices. Over time, the implementation of structural reforms and the Investment Plan for Europe should also bear fruit. As presented in May by the European Commission, recovery is strengthening: real GDP is expected to keep growing in the EU by 1.8% in 2015 and 2.1% in 2016. However, these **growth expectations remain below the pre-crisis levels.**



Source: Eurostat, European Commission Spring 2015 Economic Forecast

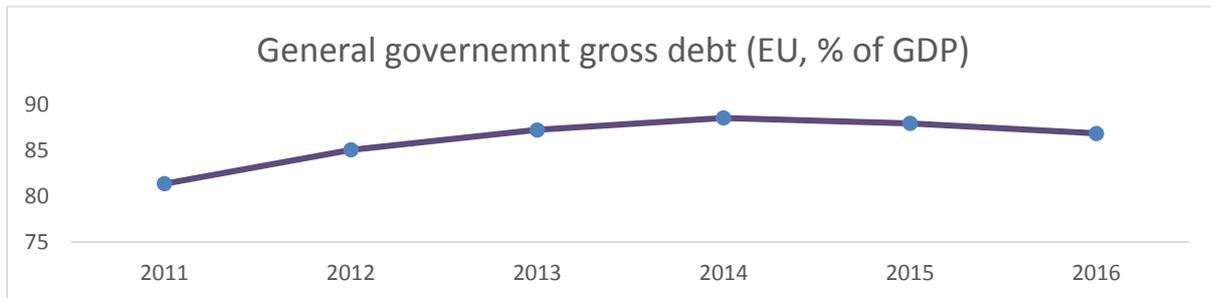
Furthermore, regarding investments positive signs are starting to appear. The EC Spring 2015 Economic forecast indicates that **total investment is starting to increase**, with forecasts estimating a growth of investments going up to 4% for 2016. Investment in the European Union and Euro Area decreased substantially during the economic crisis and remains subdued in 2015. Between 2007 and 2013, the gross fixed capital formation dropped by more than € 420 billion in real terms (2010 prices). Weak investment slows economic recovery in the short term and, in the longer term, can hurt growth and competitiveness, with a negative impact on labour market performance.

Unemployment, while remaining at high levels, is also **evolving in a positive direction for the EU**, with a steady decrease to 9.6% for the second semester of 2016 (from 11% at its peak, in early 2013) and forecast to fall to 9.2% in 2016.



Source: European Commission Spring 2015 Economic Forecast

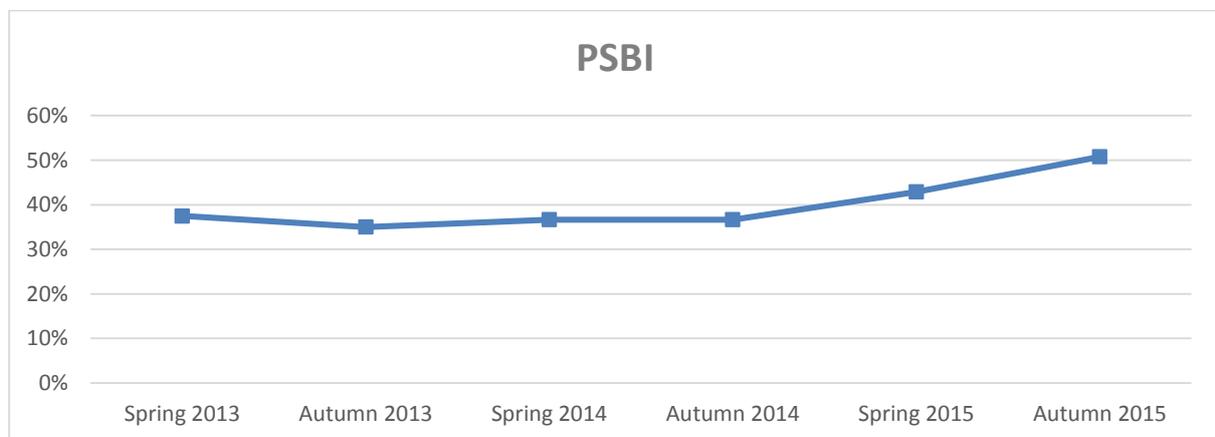
Finally, the evolution of the general government gross debt is a fair indicator of the improving state of the economy. After strong increases recorded between 2011 and 2014 (increase of 7.2% in % of GDP), the **EU government debts seem now to be back in control**, thanks to stronger economic activities and lower interest payments. Deficit-to-GDP is also getting back under control, from -2.9% in 2014 to -2% forecast in 2016.



Source: European Commission Spring 2015 Economic Forecast

General context for providers of public services

For providers of public services, the economic recovery is starting to be felt. The Public Services Business Index¹ (PSBI) confirms the trend foreseen in spring 2015. The indicator rose by 14 points compared with last year, confirming that **employers and providers of public services have more positive expectations than in the past 3 years**.

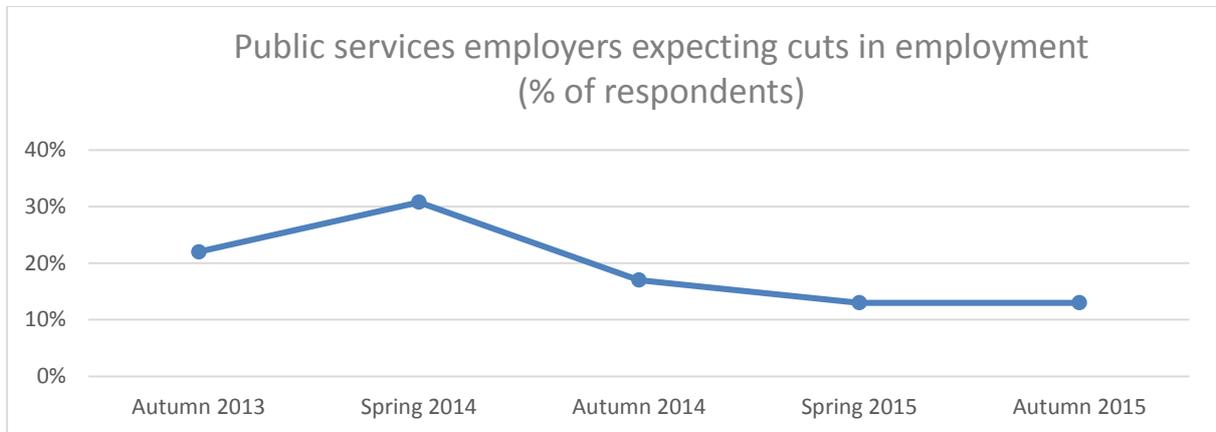


Source: Pulse of Public Services, Autumn 2015

These positive expectations are confirmed when looking at two major factors in the life of an enterprise: the foreseen evolution of employment and the expected revenue. Those two indicators are both going in a similar direction, with a majority of employers expected to maintain the size of their workforce or increase employment levels in their enterprise. Compared with figures reported in 2013 and 2014, the situation evolved: while in spring 2014 about 30% of the respondents feared having to go through cuts in employment, the figure dropped to 13% in autumn 2015.

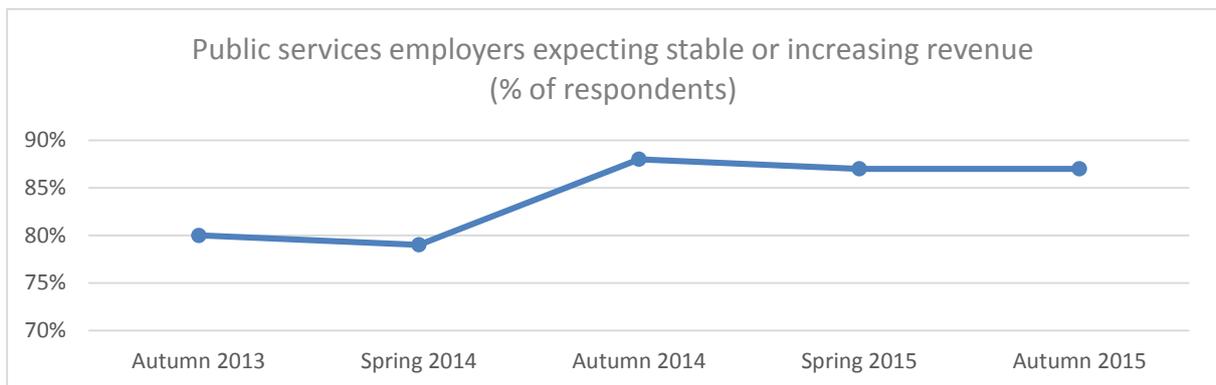
¹ Which aggregates the expectations of respondents when it comes to employment, income and the general economic situation over the next 12 months.

After having undergone heavy restructuration in several sectors, many employers of public services appear to be in a more suitable position to play their countercyclical role in the economy.

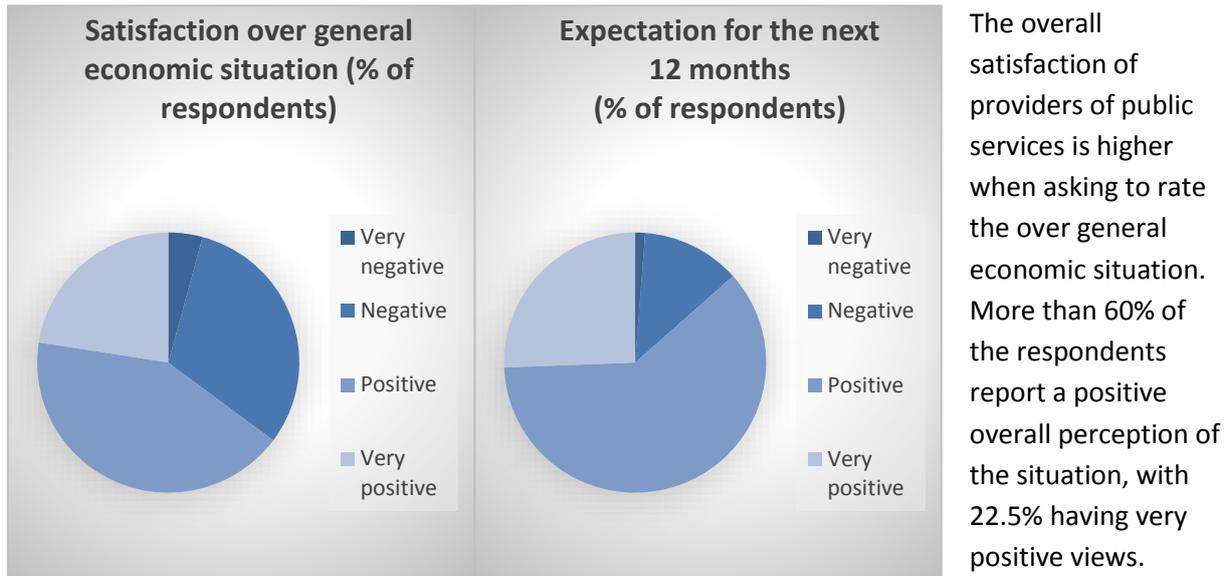


Source: Pulse of Public Services, Autumn 2015

Similarly, the share of employers of public services foreseeing stable or increasing revenue remains very high. From 80% in autumn 2013 and 79% in spring 2014, the figure rose to 87% in autumn 2015. More than 8 providers of public services out of 10 are therefore expecting financial stability for the next 12 months.



Source: Pulse of Public Services, Autumn 2015



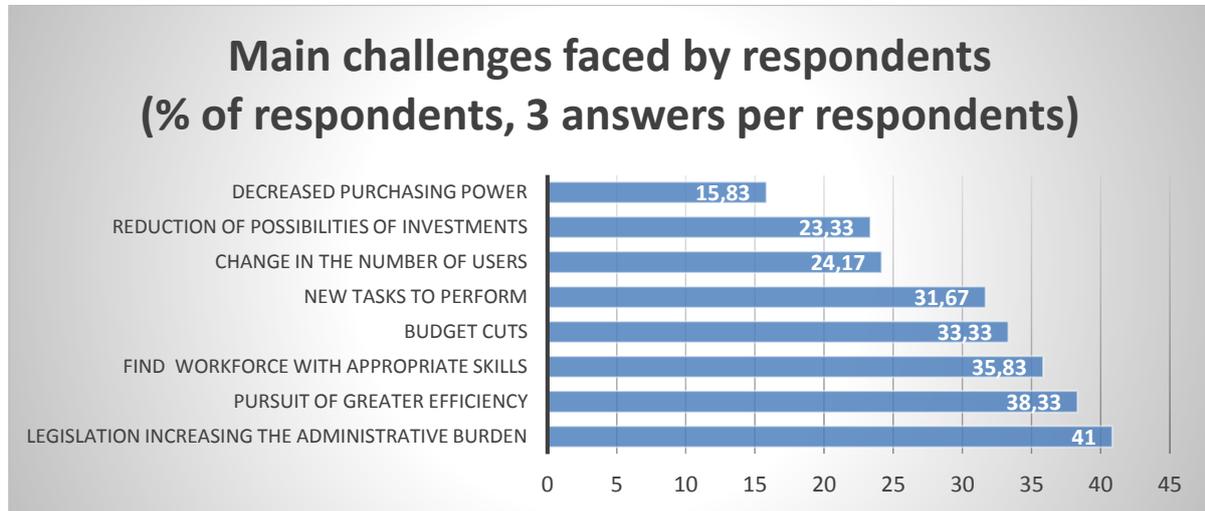
Source: Pulse of Public Services, Autumn 2015

The expectations of providers are confirming this positive perception, with 85% having positive expectations for the upcoming 12 months. However, these general optimistic assessments are also to be nuanced by the fact that only 1 employer out of 4 reported “very positive” expectations.

Overall, while still moderate and uneven across Member States, the EU economy recovery is firming up. The recovery seems to also be perceived by economic actors: Employers of public services are assessing a positive evolution, and have better anticipations for the coming months.

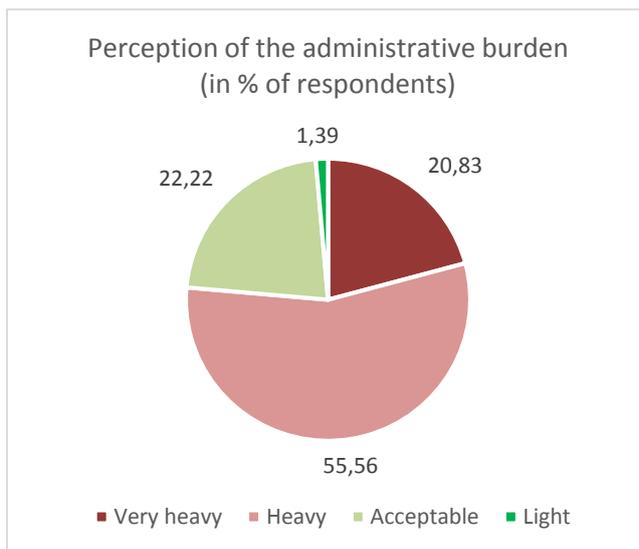
Challenges for public services in Europe

While expectations of employers of public services are on the rise, there are still many challenges to be tackled. When asked about the main challenges they face, public services' employers report **“legislation increasing the administrative burden”**, the **“pursuit of greater efficiency”** and **“finding workforce with appropriate skills”** as their biggest issues.



Source: Pulse of Public Services, Autumn 2015

1. Administrative burden



Administrative and regulatory burden (such as reporting and monitoring obligations, or constraints within public procurement procedures) is the main issue identified by providers and employers of public services. Regulatory burden threatens to complicate further administrative processes which could hamper the efficiency of services for citizens and businesses. More than 40% of the 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

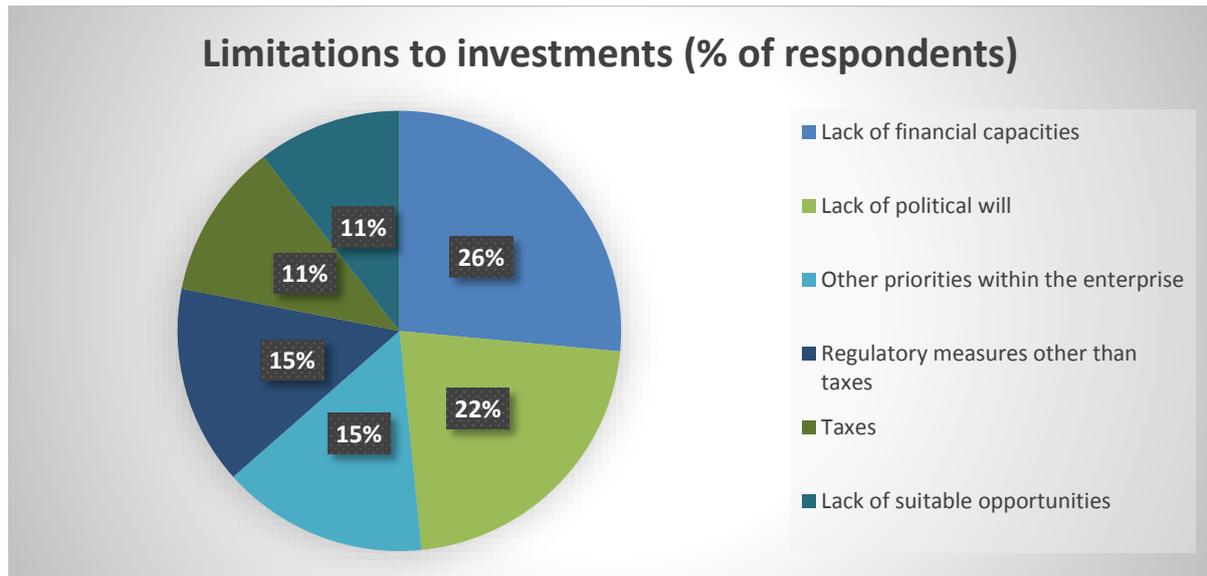
functioning of their enterprise, 75% of the respondents report it as having a “negative” impact. More than 1 respondent out of 5 (20.83%) qualifies the administrative burden as “very negative”.

2. Pursuit of greater efficiency

By analysing the answer it is clear that this challenge is directly link with the limitations to investments. Investment is indeed very present in the concerns reported by providers of public

services. Dealing with the “pursuit of greater efficiency”, with “budget cuts” or with “reduction of possibilities of investments” often equals needing capabilities to invest in the organisation. In that regard, the economic crisis heavily impacted on the investment potential of public services.

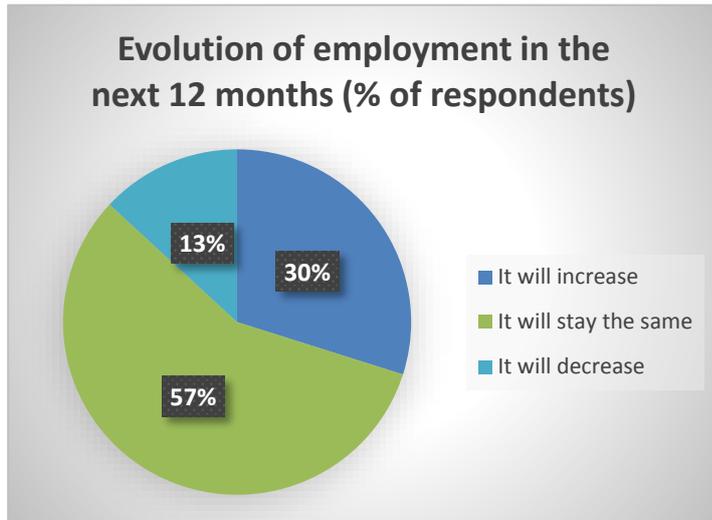
When asked to rank the three limitations to investments they feel as predominant, providers of public services bring forward the lack of financial capabilities and of political will as the two top reasons. Regulatory measures and taxes are also perceived as factors hampering investments in many organisations.



Source: Pulse of Public Services, Autumn 2015

There are positive components of the EU policy which are intended to address these issues, namely the implementation in Member States of the 2014 EU Procurement Directives, the Better Regulation package and the third-pillar of the Investment Plan which also contains regulatory simplification elements. These policy initiatives, considering their objectives and instruments could contribute to answering to public services providers’ expectations. Should these initiatives target public services providers with efficiency, they could become instrumental to empower their effective contribution to the economic recovery.

3. Finding workforce with appropriate skills



Source: Pulse of Public Services, Autumn 2015

The third key challenge for employers of public services is finding the workforce with appropriate skills. While unemployment in the EU remains high (especially long-term unemployment and youth unemployment), public services employers keep struggling to find employees equipped with appropriate skillsets.

As the most difficult period of the global crisis seems to be over, employers are in a position to hire again: 30% of the respondents announced they expected

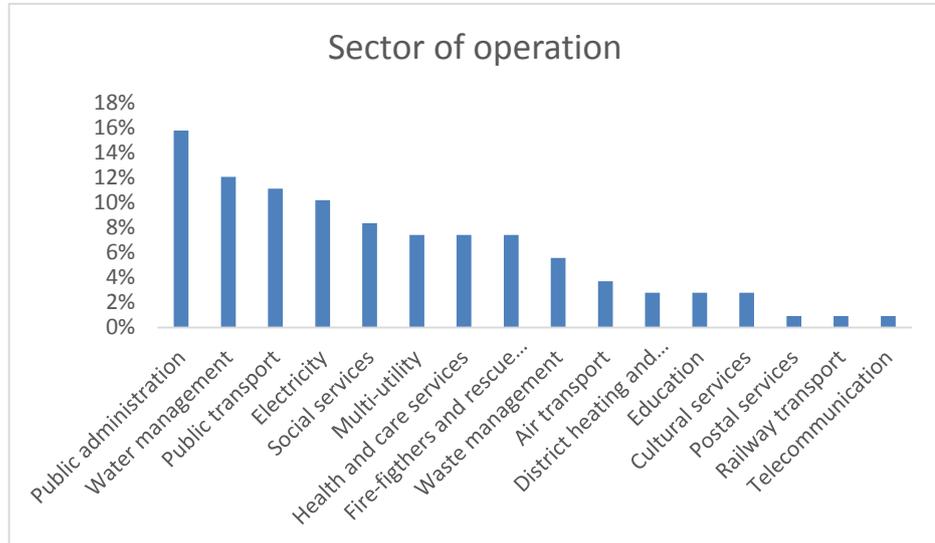
new recruitments in the next 12 months (which is a sharp rise compared with the 20% reported at the same period last year), and 57% expected employment to remain at a similar level as it is today.

The cross-sectoral social partners identified this challenge as one of the priorities [of their 2015-2017 Work programme](#), and intends to bring solutions to tackle the issue.

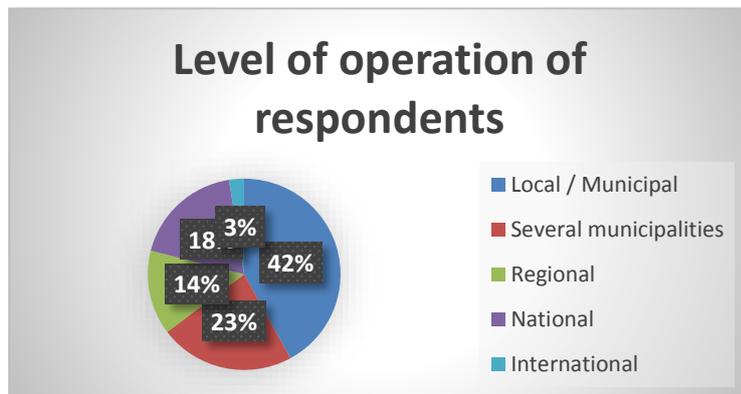
Who are our respondents?

The survey was circulated among members via CEEP National Sections and sectoral members. Answers were collected between 11 September and 1 October 2015. The survey was available in 5 languages.

The sectors of activity of the respondents are reflecting 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 2015



The level of operation of respondents is also a fair representation of where public services' employers are active. While the majority is from the local/municipal and "several municipalities", about 20% of respondents are active at national level, and 3% internationally.

Source: Pulse of Public Services, Autumn 2015

More than 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 32% of the respondents.

