
PULSE OF PUBLIC SERVICES – AUTUMN 2018

SUMMARY & KEY FINDINGS

An increasingly positive perception of the economic situation:

- **A majority of employers of public services and SGIs feel the benefits of the economic recovery**, with 59% of respondents reporting an improving perception of the economic situation.
- **64% of respondents (up by 4% compared with Spring 2018) report positive expectations for the next 12 months** for their organisations and enterprises.
- **90%** of respondents expect a **stable or increasing turnover in the coming year**, and **90%** of respondents are expecting **employment** in the organisations and enterprises **to stay at a similar level or to increase** (91% and 85% in Spring 2018).

Key challenges for employers of public services and SGIs:

- **Legislative burden:** Administrative and regulatory measures have been and remain a key challenge for employers and providers of public services and SGIs, making operations more complex operations and hindering the capacity of organisations to invest.
- **Finding workforce with appropriate skills:** digitalisation, demographic change and the greening of the economy are transforming European societies. Despite the return of economic growth, employers of public services and SGIs still face difficulties in recruiting workers with the right skills. This undermines further economic prospects in the medium-term, as 55% of respondents report it as one of their 3 main challenges.
- **Budget constraints and limited investment capabilities:** 41% of respondents reported “budget cuts” as a main concern, leading to reduced opportunities of investment, whilst 22% reported the reduction of possibilities of investments as another challenge. Three main factors were reported for these investment limits: Lack of political will (58% of respondents reporting it amongst their top 3 factors); Lack of financial capabilities (50%) and lack of skilled employees (42%), highlighting the link between economic growth and employment in public services.

ECONOMIC OUTLOOK – OVERALL ECONOMIC SITUATION

The economic recovery is continuing, and this is having a positive impact on labour markets and social progress. According to the European Commission in its Spring 2018 Economic Forecast, growth rates for the EU and the euro area beat expectations in 2017 to reach a 10-year high at 2.4%. Growth is set to remain strong in 2018 and ease only slightly in 2019, with growth of 2.3% and 2.0% respectively in both the EU and the euro area. Growth was supported by high consumer and business confidence, stronger global growth, low financing costs, healthier private sector balance sheets and brighter labour market conditions.

The pace of growth is expected to remain robust on the back of sustained consumption and strong exports and investment. Both the EU and the euro area are forecast to grow by 2.3% this year. Growth in both areas is projected to ease to 2.0% in 2019 as bottlenecks become more apparent in some countries and sectors, monetary policy is adjusted to circumstances and global trade growth slows down somewhat.

Positively, the strengthening of economic growth has led to a further improvement in labour markets. Eurostat's latest unemployment figures, released on 31 August 2018, show that EU unemployment is, with 6.8% in July 2018, back to pre-crisis levels, and well below the 11% in March 2013 at the peak of the Eurozone crisis. Economic growth is supported by private consumption, due to the improving employment situation and rising disposable incomes, which is also testament to wage growth, particularly towards the end of 2017.

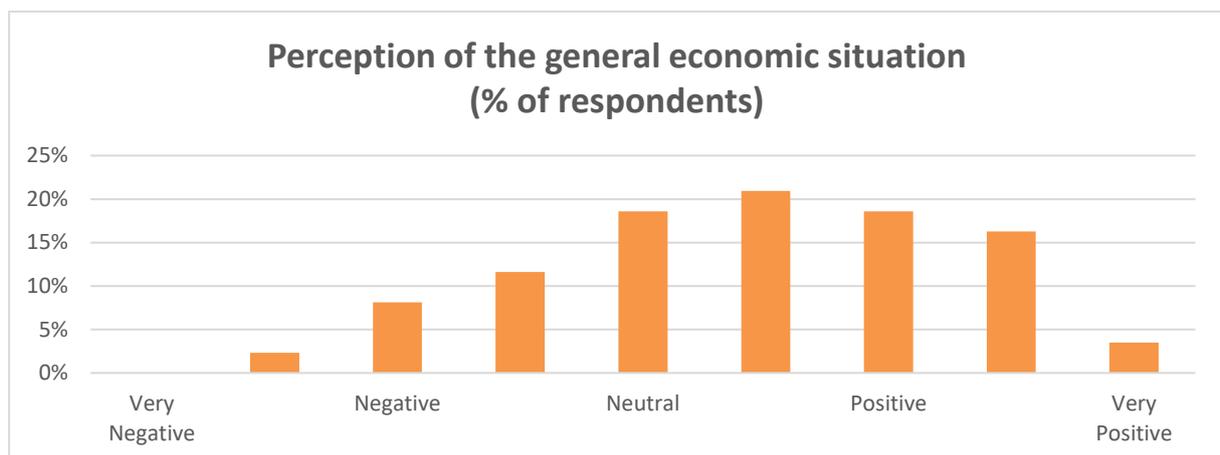
At the same time, enterprises are increasingly concerned that EU growth is at risk of peaking and may even slow down in 2019. Also, risks to the outlook remain, especially in form of a high level of policy and political uncertainty in Europe and globally, with the danger of increasing protectionism. In this context of political uncertainty, the EU should encourage more forcefully positive attitudes to entrepreneurship in society, through education, and by supporting entrepreneurs in realising their ambition.

GENERAL CONTEXT FOR EMPLOYERS OF PUBLIC SERVICES AND SGIs

Despite the challenges they are facing on a daily basis (see below), providers and employers of public services and of services of general interest are expressing rather positive feelings regarding the overall context of operation.

An increasingly positive perception of the general economic situation

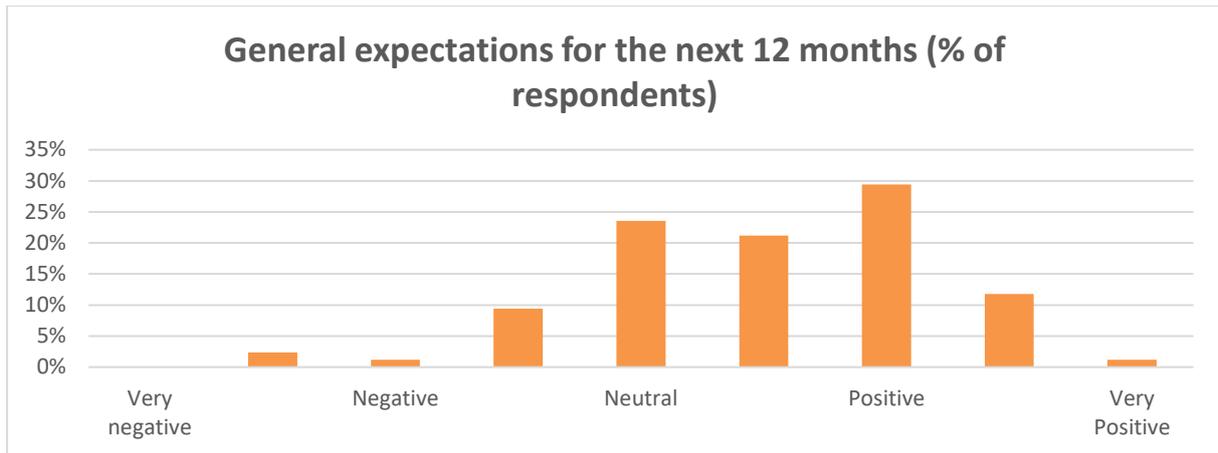
In line with the optimistic economic outlooks, most employers of public services and SGIs feel the benefit of the economic recovery, reporting a positive perception of the economic situation: 59% of respondents to this Spring 2018 Pulse of Public Services report this positive feeling, which is slightly higher than in the previous editions of the survey (57% in the Spring 2018). An additional 19% of respondents report neutral feelings regarding the economic situation, with only 22% of the public services and SGI employers depicting the economic situation in negative terms, in line with the results of Spring 2018.



Source: Pulse of Public Services, Autumn 2018

Expectations and growth prospects remain high

When it comes to the expectations for the next 12 months, employers of public services and SGIs highlight positive expectations, with a **majority of respondents – 63% (up from 60% a semester ago) – reporting such positive feelings for the next 12 months** for their organisations and enterprises. This figure is on the increase compared to the results of Spring 2017 and is in line with what was reported last Autumn. Also, around 23% have neutral expectations, and only 14% express serious concerns and negative expectations for 2018 and 2019.



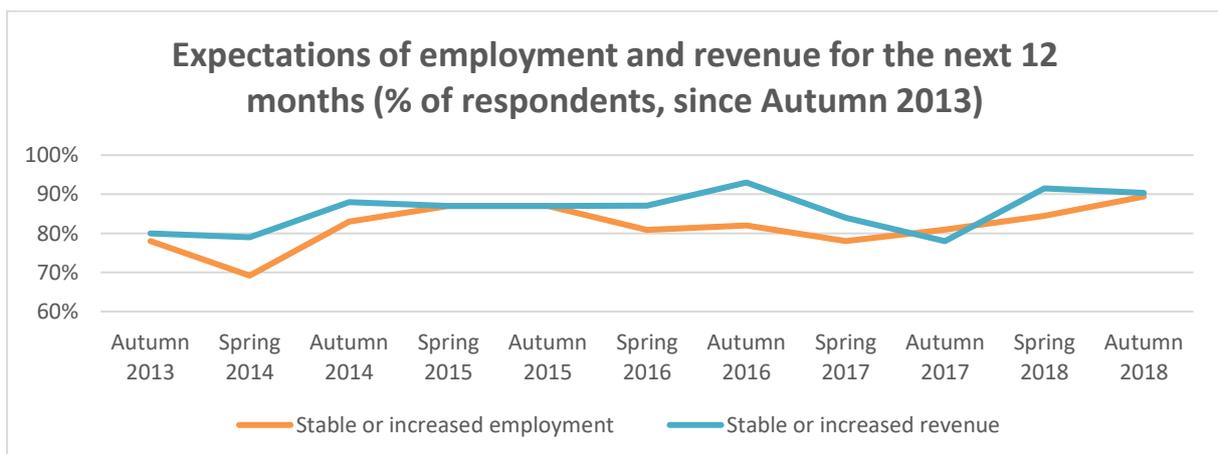
Source: Pulse of Public Services, Autumn 2018

Prospects for growth and employment in public services are positive

In line with those positive expectations, respondents show optimism when asked about the recent evolution of employment and turnover within their organisations, and the perspectives for the 12 upcoming months. **90% of respondents expect a stable or increasing revenue by October 2019.**

The foreseen evolution of employment in the organisations is similarly expected to increase along the same terms, as **89% of respondents expect employment in the organisation and enterprises to go up or, at least, to stay at a similar level.** This figure has been constantly increasing since Spring 2017, signalling a solid consolidation and the return to growth for public services' enterprises and organisations.

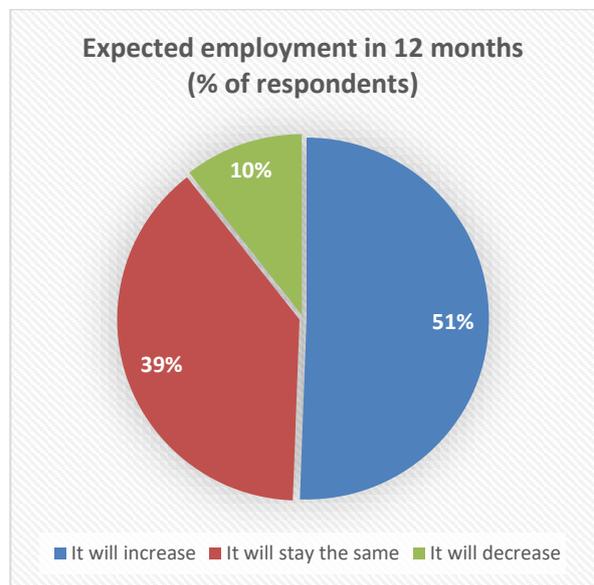
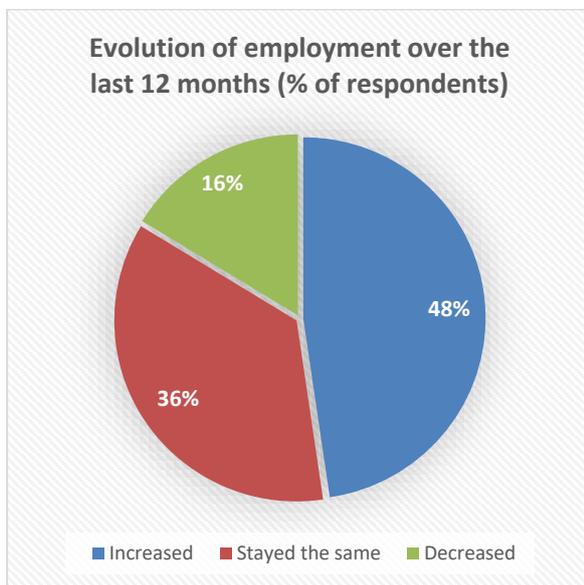
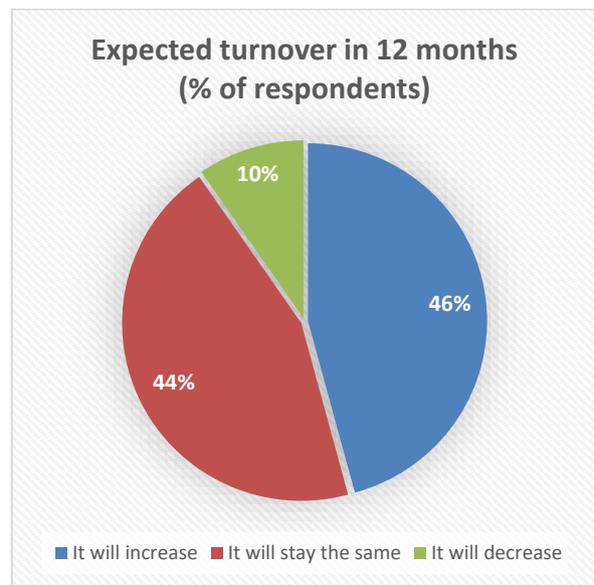
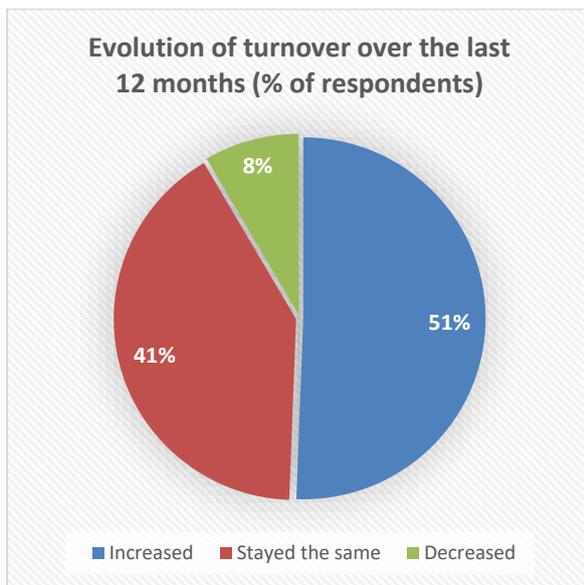
This period of consolidation is now well underway: following the economic and financial crisis, and because of its effects and consequences, a significant portion of employers of public services and SGIs have gone through restructuring to become more efficient and effective. After years of economic downturn, our members can now consistently get a glimpse of positive expectations and growth, as indicated by the above-mentioned related levels to revenue and employment levels.



Source: Pulse of Public Services, Autumn 2018

As expressed, employers of public services and SGIs are overall returning to growth and expansion. When asked about the evolution of **employment and turnover over the past 12 months** as well as the expectations for the year ahead, a **wide majority of employers of public services and SGIs report a stabilisation or an increase in both**, confirming the trend foreseen in previous editions of the Pulse of Public Services.

10% of respondents nevertheless still fear a decrease in the turnover of their organisation (in line with 9% in Spring 2018), and 10% expect job cuts in the coming 12 months (15% in Spring 2018).

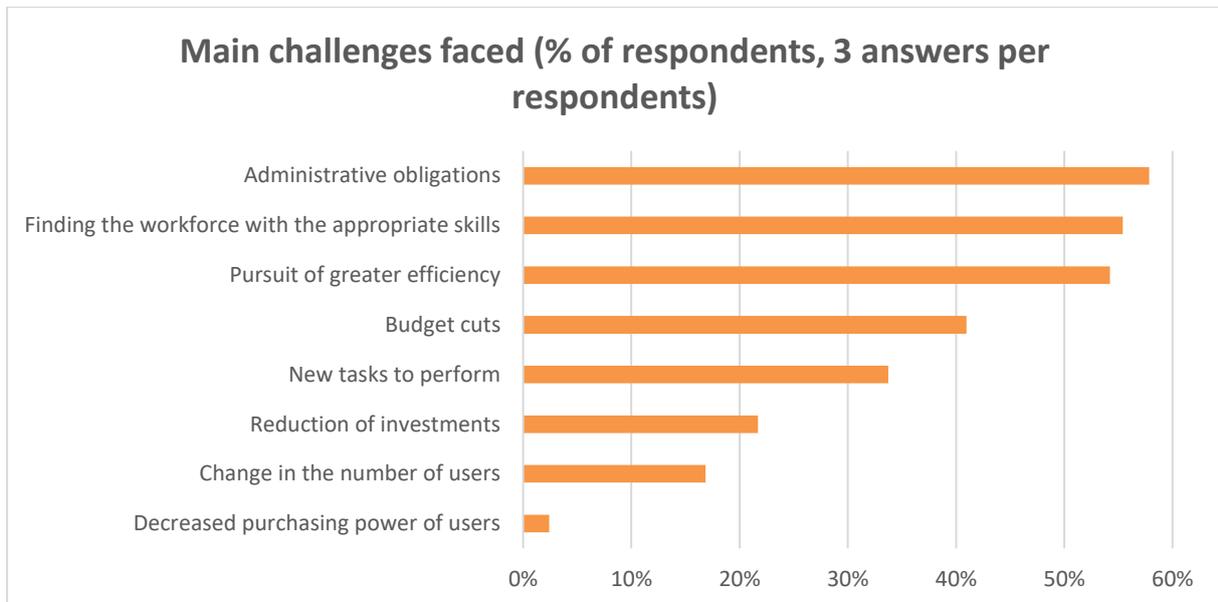


Source: Pulse of Public Services, Autumn 2018

THE CHALLENGES FOR EMPLOYERS OF PUBLIC SERVICES AND SGIS

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

- **Administrative burden based on legal obligations;**
- **Finding workforce with the appropriate skillset;**
- **Budget cuts and reduction of investments.**



Source: Pulse of Public Services, Autumn 2018

Challenge I: Legal obligations and administrative barriers

Dealing with administrative and regulatory measures¹ has been and remains a key challenge for many enterprises, including employers and providers of public services and SGIs. Undue administrative and regulatory requirements can further complicate the everyday functioning and hamper the efficiency of public services and services of general interest for citizens and businesses.

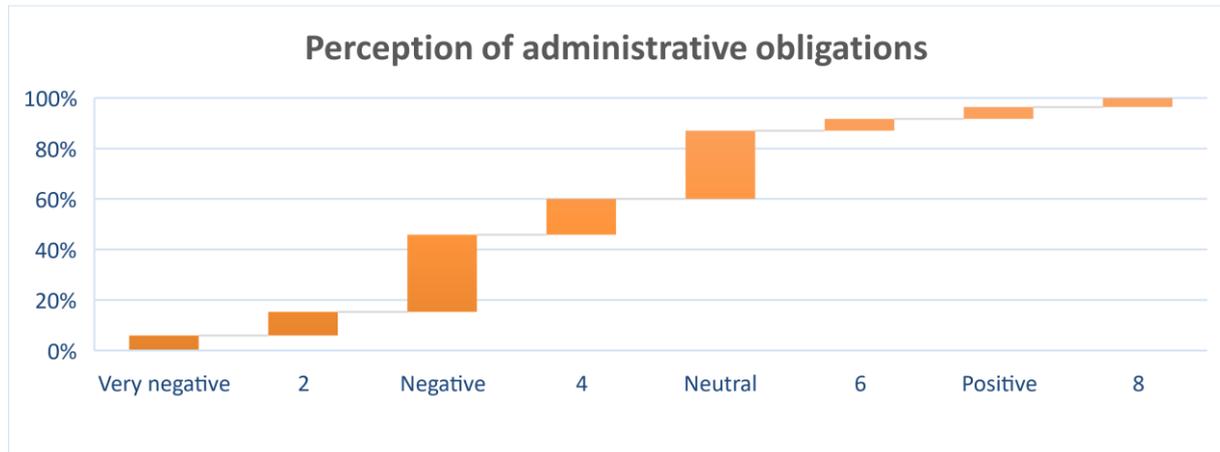
58% of respondents report this issue as one of their three most important ones, making it a highly pressing challenge, especially for smaller-scale organisations operating at local level. Despite its widespread presence, **only 5% of public services' enterprises report it as the first main challenge**.

It is important to note that many public services are provided by local enterprises, similar in size and budget to SMEs and often in competitive markets: 53% of respondents employ 250 employees or less, and 70% operate at local or regional level. They are however not considered as SMEs in many cases, as they benefit from public funding as providers of essential services, and therefore are **denied access to some funding and financial schemes and face a regulatory burden from which other SMEs (who might be competing for similar markets) are exempted**.

¹ Obligations imposed on providers and employers of public services, such as reporting and monitoring obligations or constraints within public procurement procedures.

Administrative barriers also hinder the capacity of organisations to invest. Further simplification to reduce administrative barriers would therefore lead to a two-fold objective: supporting investment and ensuring that providers of public services and SGIs are more efficient and effective, allowing them to better focus on their core missions of services provisions.

Whilst remaining a key challenge, the perception of the administrative obligations is still very negative, associated with red-tape and seen as a burden. When directly asked about their perception of the administrative measures which they must include in the daily functioning of their organisation, 60% of respondents report it as having a “negative” impact, and 27% of respondents have neutral views, balancing the positive and negative aspects of the these administrative duties.



Source: Pulse of Public Services, Autumn 2018

Challenge II: Finding workforce with appropriate skills

Despite the return to economic growth, employers, including those of public services and SGIs, face important difficulties in recruiting workers, which can undermine future economic prospects. 55% of respondents to this Autumn 2018 Pulse of Public Services report **“Finding Workforce with the appropriate skills”** as one of the 3 main challenges they are currently facing (22% as the first challenge, 17% as the second, and 18% as the third).

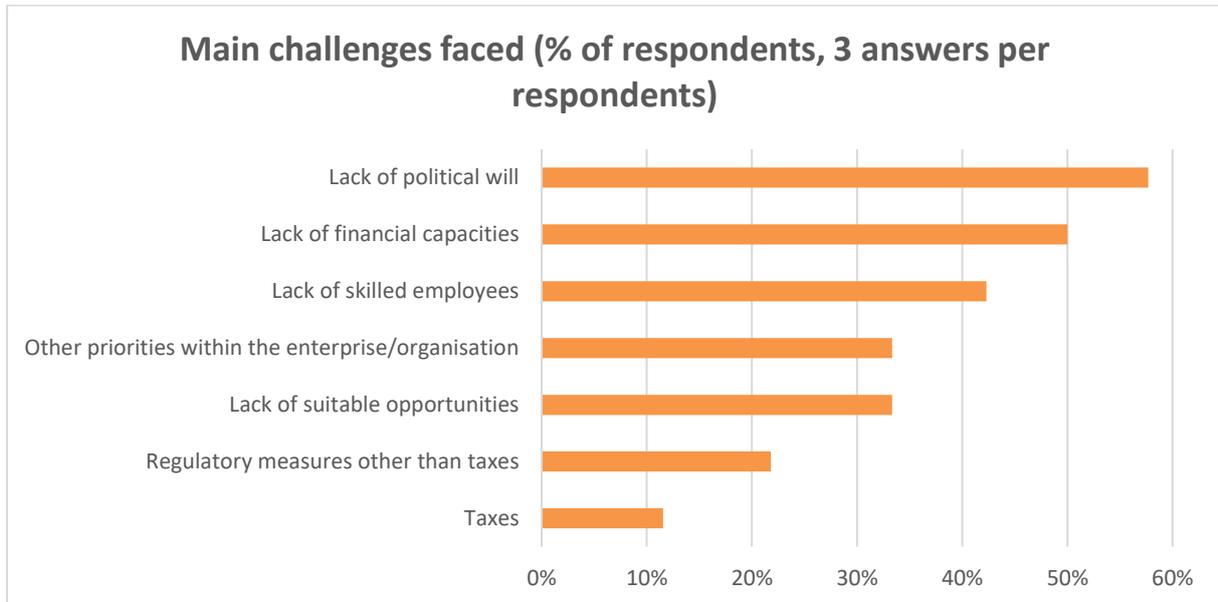
This issue is a recurring one for many employers of public services and services of general interest. It confirms the existence of a **structural skills mismatch**, irrelevant of the country’s respective level of unemployment in general.

The **impact of digitalisation** across all sectors is making it difficult for enterprises to find the right candidates. A better alignment between education/training systems and labour market is needed to reduce skills mismatches. A key part to this is the ability to update curricula in a timely way, something which tends to be faster for vocational education and training, such as apprenticeships, than for university education.

Another important tool is **employee training**, which has an important role to play in **upskilling and reskilling workers in view of digitisation and other trends, such as demographic change and the greening of the economy**. Social partners addressed a series of recommendations on employee training, such as making use of the future ESF+ to support investments in education and skills adapted to the needs of the economy and designing the future Erasmus programme to support the modernisation of education and training systems.

Challenge III: Budget constraints and lack of investment

Despite the return to economic growth, employers and providers of public services keep facing difficulties, especially when it comes to financing and investing. Years of fiscal consolidation have led to both budget cuts and reduction of investment potential: **41% of respondents report “budget cuts” as a main concern**, leading to reduced opportunities of investment, whilst **22% report the reduction of investments as another challenge**.



Source: Pulse of Public Services, Autumn 2018

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

- **Lack of political will** (by 58% of respondents reporting it among their top 3 factors);
- **Lack of financial capacities** (50%);
- **Lack of skilled employees** (42%).

For employers and providers of public services, and despite EU initiatives to relaunch investment in Europe, the investment gap they face is very often seen as a political issue, requiring answers via a remobilisation, a proper channelling of funds available to public services’ providers and taking steps to lighten the administrative barriers to investment.

For the first time, the lack of skilled employees is also highlighted as one of the three key barriers to investment: the skill mismatches and skill shortages start to have broader impacts on organisations: going farther than a recruitment problem, they now also pose threats to future investment and growth of public services and SGI enterprises.

Challenge IV: Pursuit of greater efficiency

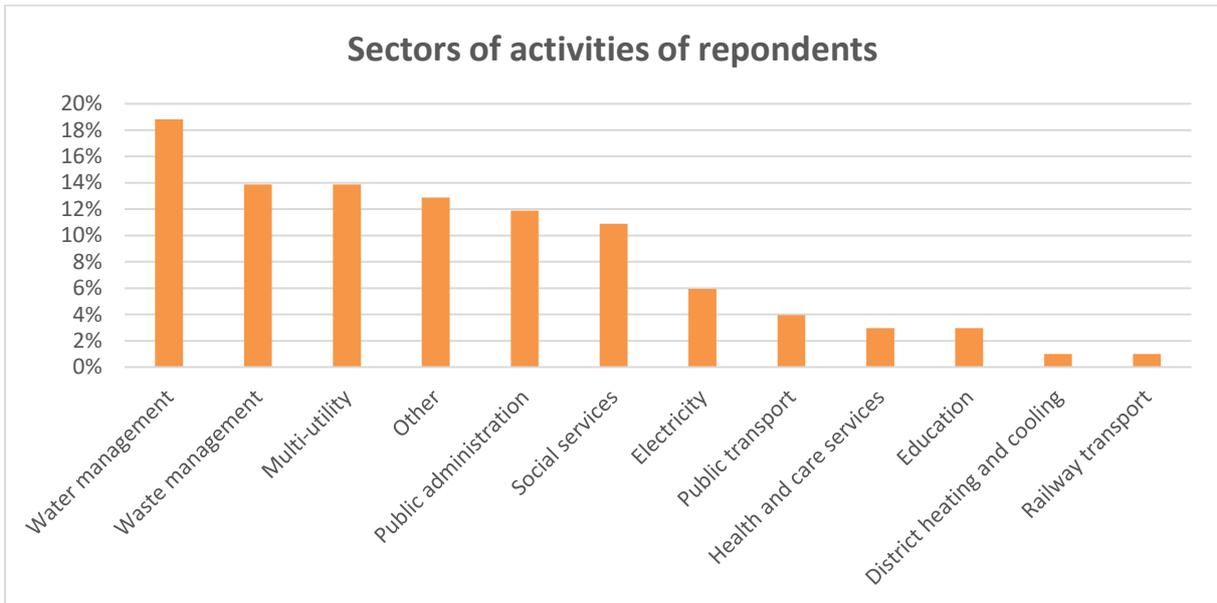
Faced with the need to provide users (both citizens and businesses of all sizes) with high-quality services in a fast-evolving environment (including, but not limited to, adapting to the digital transformation), employers of public services and SGIs are constantly seeking ways to improve the efficiency and effectiveness of their operation. The challenge “**Pursuit of greater efficiency**” has always been very present, with now **54% of respondents identifying these challenges among the 3 most important for them**. 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 SGIs and is reported as the fifth most important challenge, with 34% of respondents indicating it to be an important priority.

Those challenges directly echo some of the most important issues tackled at EU level, such as the digitalisation of the society, including for public services and SGIs, demographic ageing and the integration of migrants and refugees. Employers of public services and SGIs are on the front line on those challenges, calling for a reflection on their operations and bringing answers without causing reductions in the quality of the services providers.

WHO ARE THE RESPONDENTS?

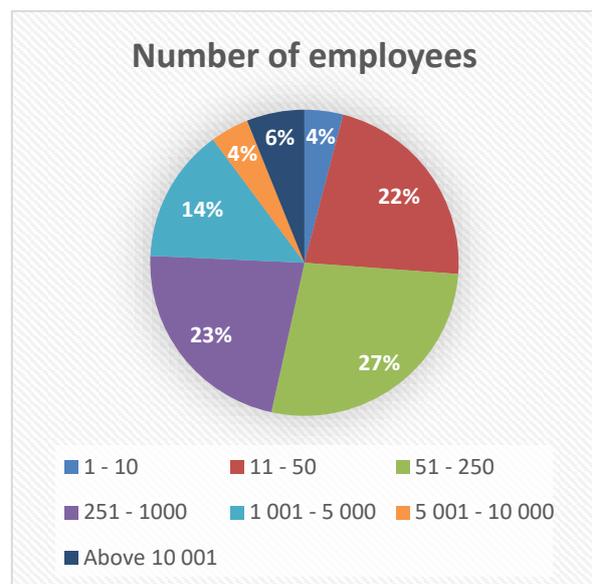
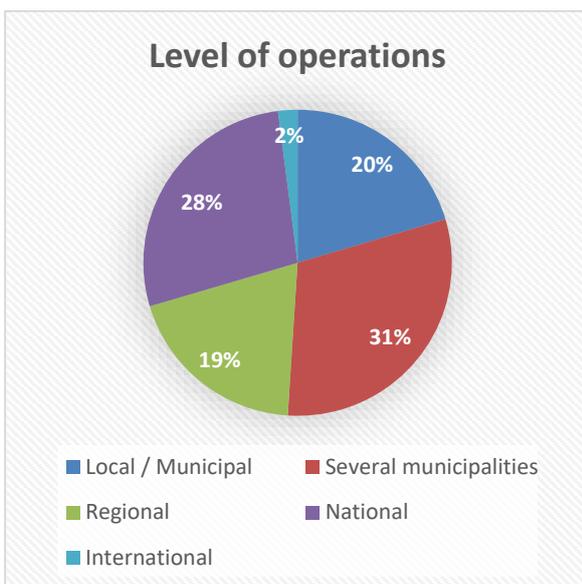
The survey was circulated amongst CEEP members. Answers were collected in September-October 2018. The survey was available in 6 languages (English, French, German, Swedish, Italian, Spanish).

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 2018

The level of operation of respondents is also a fair representation of where public services' employers are active. Whilst a majority – 70% – is from the local/municipal and regional level, about 30% of respondents are active at the national level, and 2% internationally. 42% of respondents are also enterprises employing less than 250 people.



Source: Pulse of Public Services, Autumn 2018