PULSE OF PUBLIC SERVICES – SPRING 2018

SUMMARY & KEY FINDINGS

A positive perception of the economic situation:

- **A majority of employers of public services and SGIs feel the benefits of the economic recovery,** with 57% of respondents reporting a positive perception of the economic situation.
- **60% of respondents report positive expectations for the next 12 months** for their organisations and enterprises.
- **91%** of respondents expect **a stable or increasing revenue in the coming year**, and **85%** of respondents are expecting **employment** in the organisations and enterprises **to stay at a similar level or to increase**.

The 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, complexifying operations and hindering the capacity of organisations to invest.
- **Pursuit of greater efficiency and new tasks to perform**: 44% of respondents identify this issue amongst the 3 most important for them, highlighting the constant interest for managers of public services to be on the lookout for alternatives, and adapting their services and operations to ensure the provision of future-proof services to all.
- **Finding workforce with appropriate skills**: Despite the return to 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 39% of respondents report it as one of their 3 main challenges.
- **Budget constraints**: 33% of respondents reported “budget cuts” as a main concern, leading to reduced opportunities of investment, whilst 14% directly reported the reduction of possibilities of investments as another challenge. Three main factors were reported for these limitations of investment: Lack of financial capacities (by 29% of respondents reporting it amongst their top 3 factors); Lack of political will (27%) and regulatory measures (19%).

ECONOMIC OUTLOOK – BASED ON THE EUROPEAN COMMISSION' S WINTER 2018 ECONOMIC FORECAST

The return to economic growth in Europe is being confirmed and the prospects for 2018 and 2019 are now stronger than initially expected. As indicated by the European Commission in its Winter 2018 Economic Forecast (presented in February 2018), "growth rates for the euro area and the EU beat expectations last year as the transition from economic recovery to expansion continues. The euro area and EU economies are both estimated to have grown by 2.4% in 2017, the fastest pace in a decade. This robust performance is set to continue in 2018 and 2019 with growth of 2.3% and 2.0% respectively in both the euro area and EU."

Factors explaining the return to such a strong growth is a result of both stronger cyclical momentum in Europe, where labour markets continue to improve with a particularly high economic sentiment, and a stronger than expected pick-up in global economic activity and trade.

This positive economic dynamic contributes to supporting a strong demand, whilst the financing conditions are set to keep favouring further investments in the coming years.

In the meanwhile, risks to this growth forecast remain broadly balanced. Economic growth could exceed expectations in the short term as indicated by the high level of positive sentiment. In the medium term, high global asset prices could be vulnerable to a re-assessment of risks and fundamentals.

Downside risks related to the uncertain outcome of the Brexit negotiations remain, as do those associated with geopolitical tensions and a shift towards more inward looking and protectionist policies.

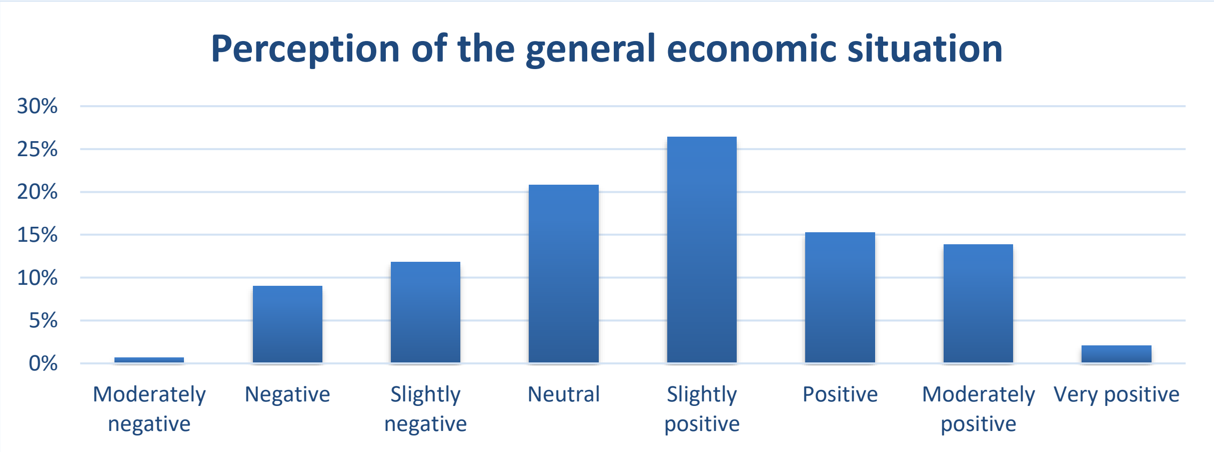
Based on the European Commission's Winter 2018 Economic Forecast

General Context for Employers of Public Services and SGIs

In line with the general improvement of the economic situation, providers and employers of public services and of services of general interest are expressing rather positive feelings regarding the overall context of operation.

A positive perception of the economic situation

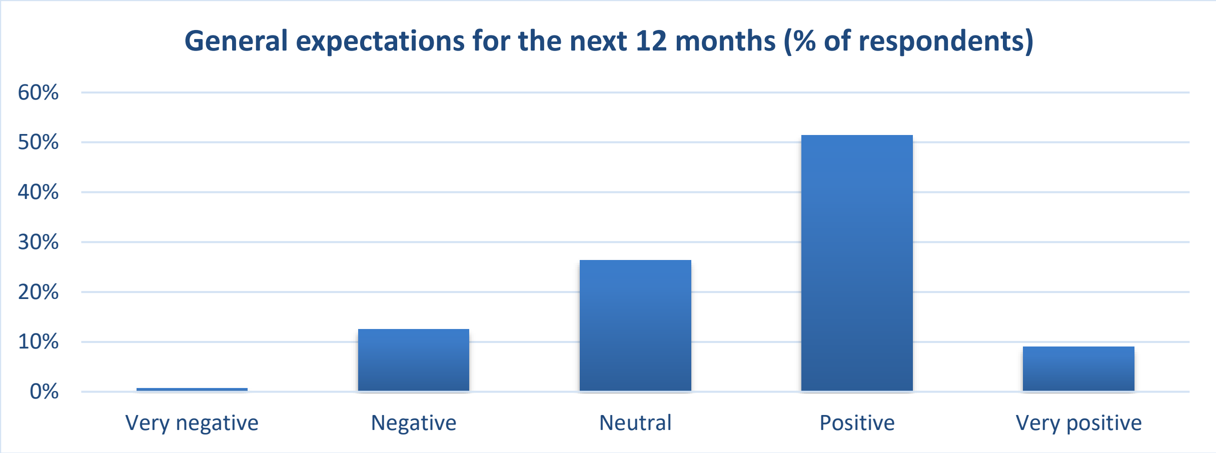
Most employers of public services and SGIs feel the benefit of the economic recovery, reporting a positive perception of the economic situation: 57% of respondents to this Spring 2018 Pulse of Public Services report this positive feeling, which is consistent with previous editions of the survey. An additional 21% of respondents (up from 16% in March 2017 %) report neutral feelings regarding the economic situation. Only 22% of the public services and SGIs' employers depict the economic situation in negative terms.



Source: Pulse of Public Services, Spring 2018

Expectations and growth prospects are high

When it comes to the expectations for the next 12 months, employers of public services and SGIs draw an optimistic and positive picture, with a **majority of respondents – 60% – reporting positive expectations 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 stable and in line with what was reported last Autumn. Also, around 26% have neutral expectations, and only 14% express serious concerns and negative expectations for 2018 and 2019.



Source: Pulse of Public Services, Spring 2018

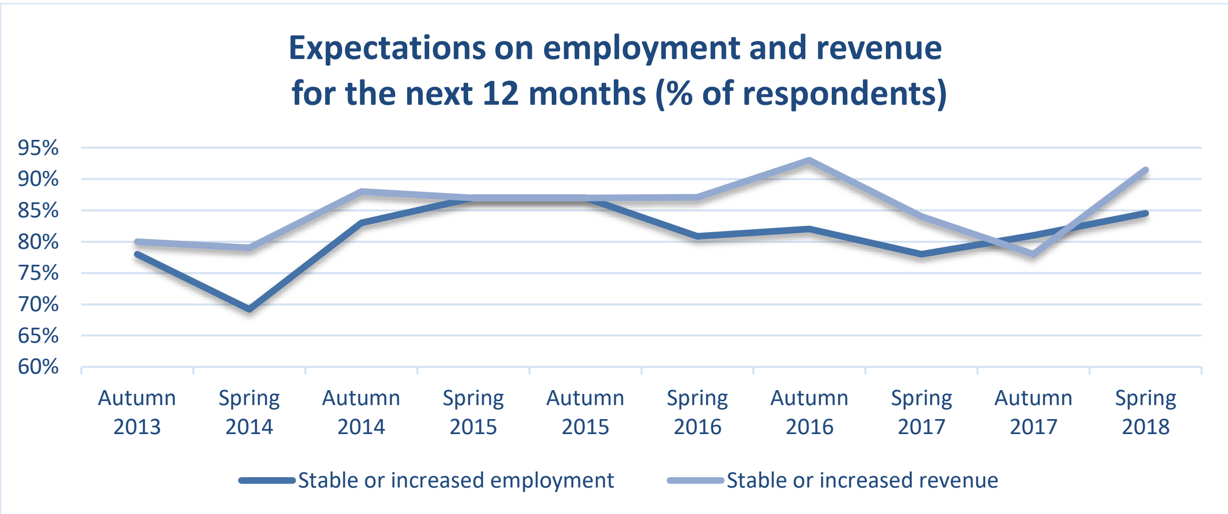
In line with the improvement of the economic conditions in the EU, employers and providers of public services and of SGIs are, despite still facing important challenges to be addressed (see below), gaining back trust, optimism and confidence regarding the future.

Prospects for employment in public services and SGIs are positive

In line with those positive expectations, respondents show optimism when questioned about the recent evolution of employment and turnover within their organisations, and the perspectives for the 12 upcoming months. **91% of respondents expect a stable or increasing revenue**.

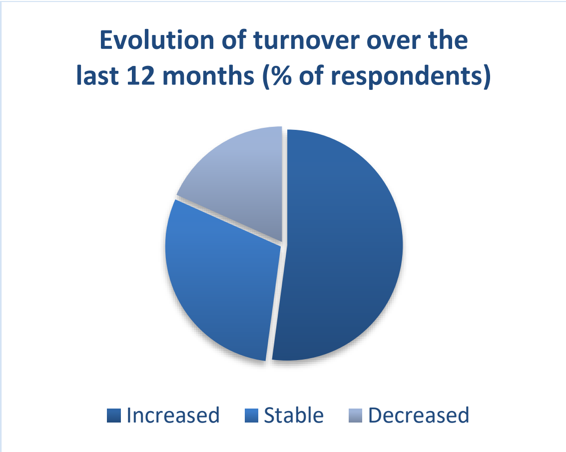
The foreseen evolution of employment in the organisations is similarly also expected to increase, as **85% of respondents are expecting employment in the organisation and enterprises to go up or, at least, to stay at a similar level**.

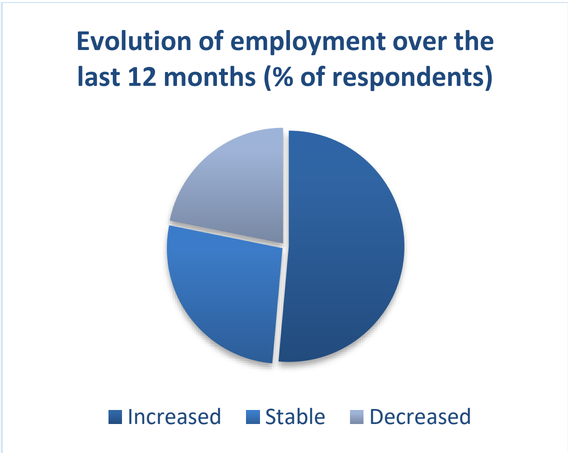
The consolidation of labour markets also seems to be underway: following the economic and financial crisis, and because of its effects on labour markets, a significant portion of employers of public services and SGIs have gone through restructuring to become more efficient and effective. After years of economic downturn, our members now consistently report positive expectations, especially when it comes to revenue and to maintaining or increasing their employment levels.

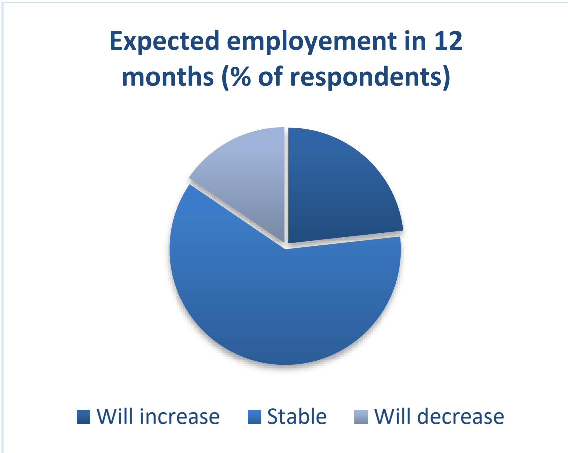


Source: Pulse of Public Services, Spring 2018

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** and 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 Pulses of Public Services. 9% of respondents nevertheless still expect a decrease in the turnover of their organisation (down from 12% in October 2017), and 15% expect job cuts in the coming 12 months (22% in October 2017).





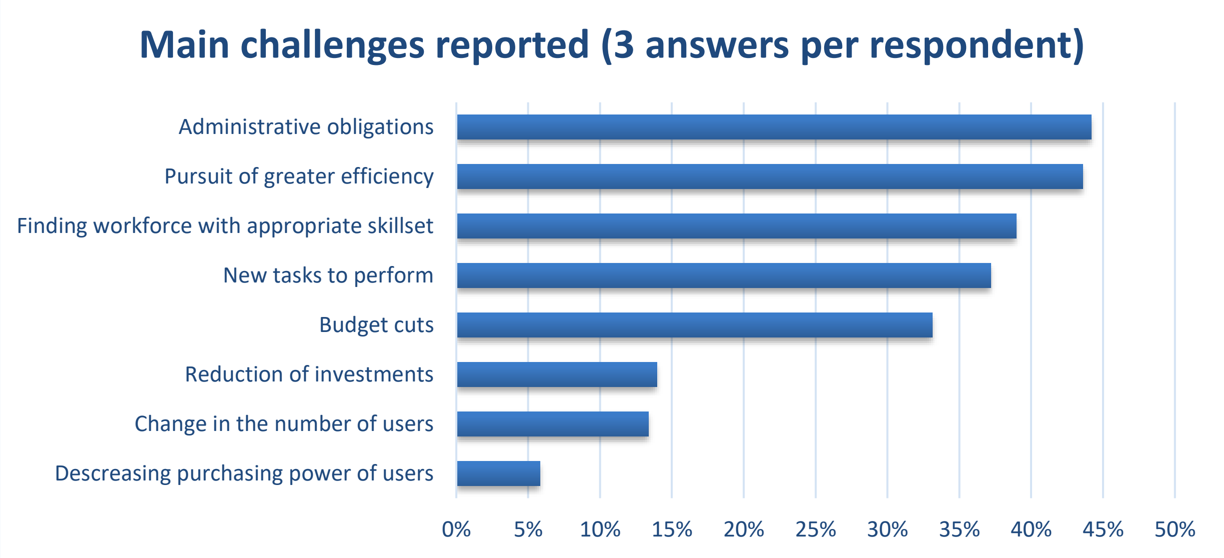


Source: Pulse of Public Services, Spring 2018

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:

- **Legislation increasing the administrative burden;**
- **Pursuit of greater efficiency;**
- **Finding workforce with the appropriate skillset.**



Source: Pulse of Public Services, Spring 2018

Legislative burden

Dealing with administrative and regulatory measures[1] has been and remains a key challenge for employers and providers of public services and SGIs. Administrative and regulatory requirements keep threatening to complicate further administrative processes and hamper the efficiency of public services and services of general interest for citizens and businesses. **44% of respondents report this issue as one of their three most important ones**, making it the most-pressing challenge, especially for smaller-scale organisations operating at local level.

Indeed, 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 63% 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.**

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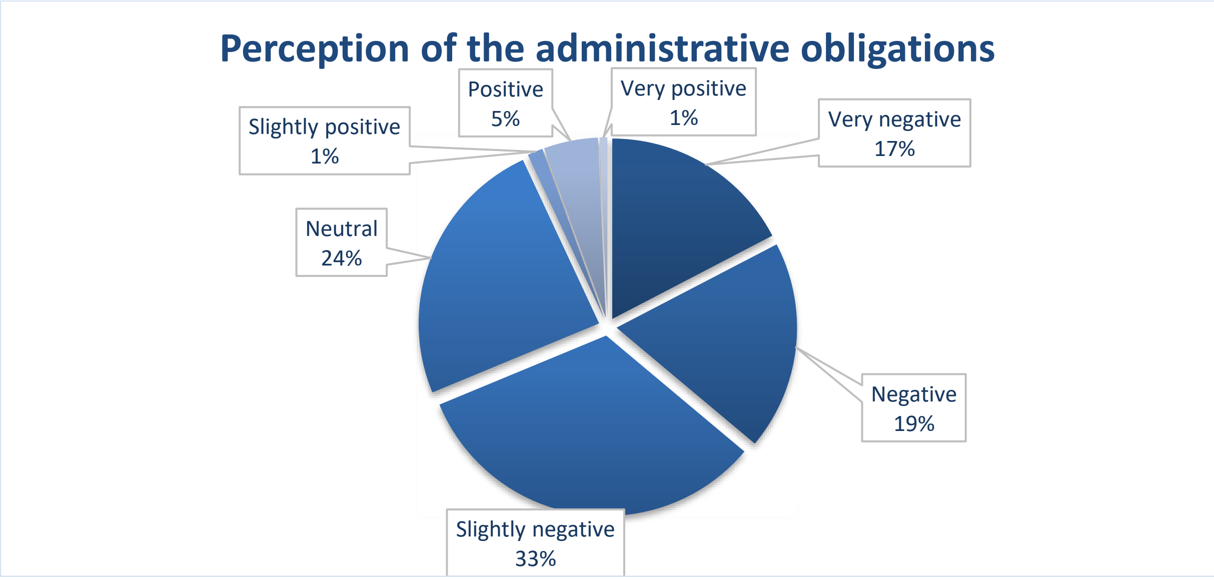
[1] Obligations imposed on providers and employers of public services, such as reporting and monitoring obligations or constraints within public procurement procedures.

Administrative barriers can 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, 69% of respondents report it as having a "negative" or "very negative" impact (down from 77% in March 2016). 24% of respondents have neutral views.



Source: Pulse of Public Services, Spring 2018

Pursuit of greater efficiency and new tasks to perform

Faced with the need to provide users (which are 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 **44% of respondents identifying this issue 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 fourth most important challenges, with now 37% 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, and the refugee crisis. Employers of public services and SGIs are on the front line on those challenges, leading them to reflect on their operations and find ways to adjust and bring answers without causing reductions in services to local communities. Managers of public services are therefore on the **permanent lookout for alternatives in this new context, adapting their services and operations to make the best out of the circumstances and to ensure the provision of future-proof services to all.**

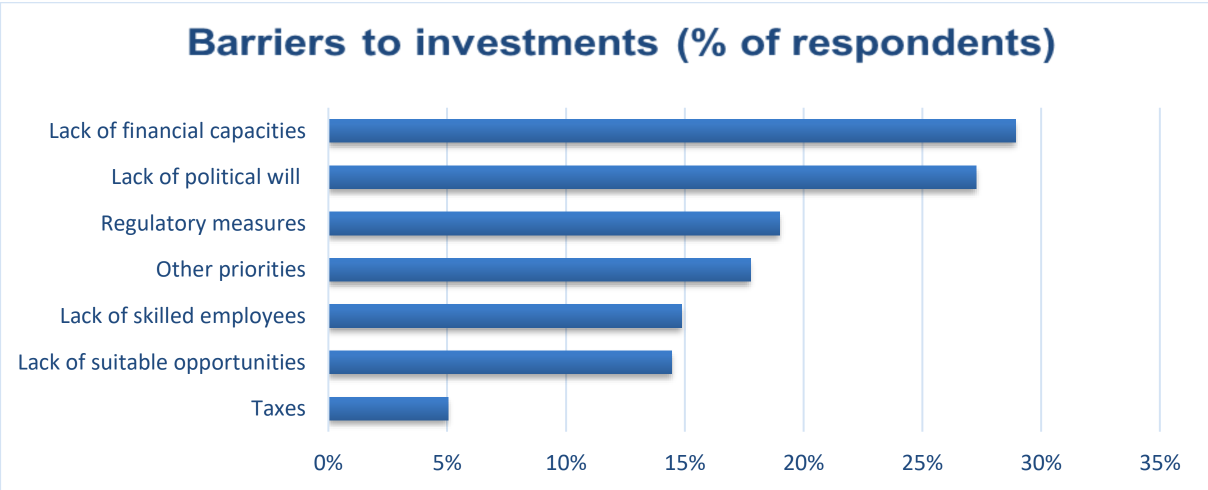
Finding workforce with appropriate skills

Despite the return to economic growth, employers, including those of public services and SGIs, face important difficulties in recruiting workers, which can undermine their future economic prospects. 39% of respondents to this Spring 2018 Pulse of Public Services report "**Finding Workforce with the appropriate skills" as one of their 3 main challenges they currently face.**

Considering the prevalence of this issue, it is paramount to address it and foster the interaction between the world of education, training, mobility and the labour market. **Improving the involvement of social partners (and more specifically employers) in the design of qualifications and curricula**, as well as the general Vocational Education and Training governance. In this context, skills and competences can also be developed in non-formal and informal settings, whilst apprenticeship and work-based learning have proven to be effective tools for smoothing transitions to the labour market.

Budget constraints

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 possibilities of investment: **33% of respondents report "budget cuts" as a main concern**, leading to reduced opportunities of investment, whilst 14% report the reduction of possibilities of investments as another challenge.



Source: Pulse of Public Services, Spring 2018

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

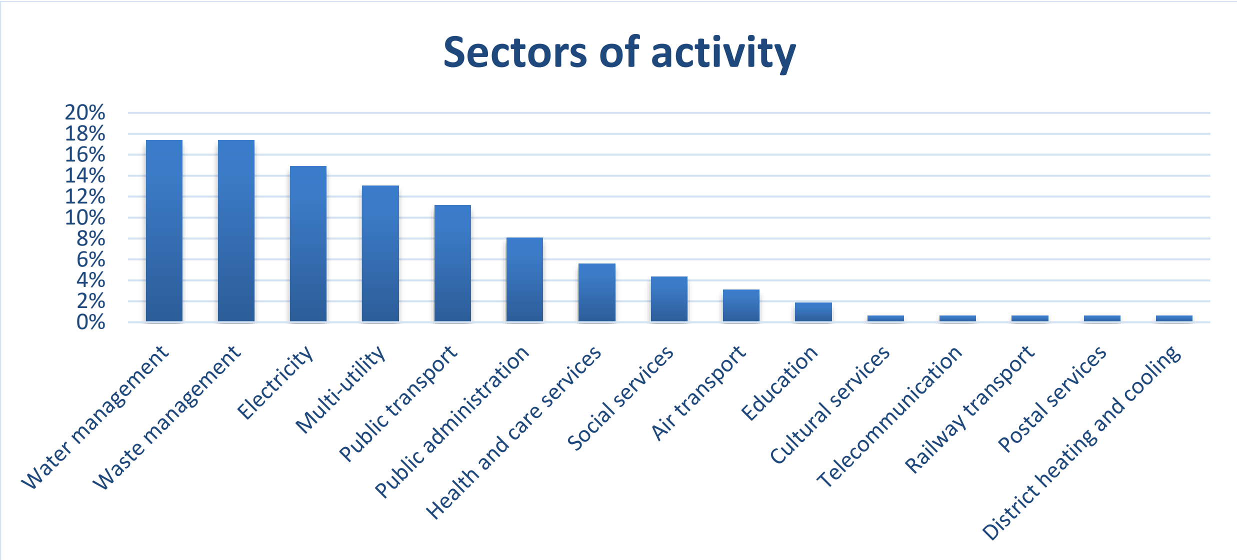
- **Lack of financial capacities** (by 29% of respondents reporting it among their top 3 factors);
- **Lack of political will** (27%);
- **Regulatory measures** (19%).

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.

Who are the respondents?

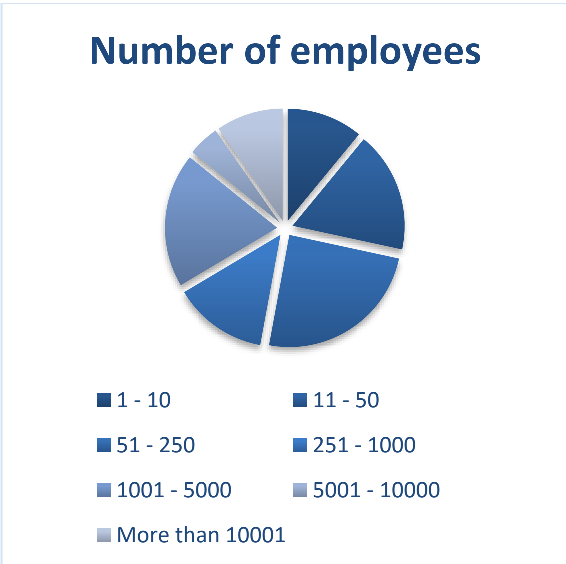
The survey was circulated amongst CEEP members. Answers were collected in February-March 2018. The survey was available in 6 languages (English, French, German, Swedish, Italian, Spanish).

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, Spring 2018

The level of operation of respondents is also a fair representation of where public services' employers are active. Whilst a majority – 63% – is from the local/municipal and regional level, about 30% of respondents are active at national level, and 8% internationally. 53% of respondents are also enterprises employing less than 250 people.



Source: Pulse of Public Services, Spring 2018