PULSE OF PUBLIC SERVICES – AUTUMN 2019

SUMMARY & KEY FINDINGS

Uncertainties on the economic situation:

- Recent forecasts for the last quarter of 2019 and 2020 point to a **continued slowdown in the world's economy**. In the **eurozone**, the **GDP** growth rate is expected to jump from 1.3 to 1.6 percent, which still **considerably subdued and causing concerns** for competent authorities both at the national and the EU levels. Brexit, technology, commercial and geopolitical tensions, and the ongoing societal transformations keep impacting the growth prospects.
- **Our next steps** will be conditioned by the transformations imposed by the **climate challenge**. The **proposed EU Green Deal** will require a serious and continuous **process of adaptation for the economy**, bringing multiple challenges amongst which most can hardly be anticipated.

A more neutral perception of the economic situation by employers of public services and SGIs, in the face of the challenges and uncertainties:

- Despite a strong drop, about half of the **employers of public services and SGIs keep a positive outlook:**
  - **A majority** of employers of public services and SGIs **report a positive perception** of the economic situation (48%), but **that figure is 11 percentage points lower than last year**.
  - **51% of respondents (down by 9 percentage** points compared with Spring 2019) **report positive expectations** for the next 12 months for their organisations and enterprises.
- **89%** of respondents expect **a stable or increasing turnover in the coming year**, and **86%** of respondents expect **employment to stay at a similar level or to increase**.

3 key challenges for employers of public services and SGIs:

- **Administrative burden**: Administrative and regulatory burden remain a key challenge for employers and providers of public services and SGIs, complexifying operations and hindering the capacity of organisations to invest.
- **Budget constraints and limited investment capabilities**: 48% of respondents reported “budget cuts” as a main concern, leading to reduced opportunities for investment. Three main factors were reported as cause of this situation: **lack of political will** (by 50% of respondents reporting it amongst their top 3 causes), **lack of financial capabilities** (46%), and **lack of skilled employees** (35%), highlighting the links between economic growth, investment and employment.
- **Finding workforce with appropriate skills**: Employers of public services and SGIs still report difficulties in recruiting workers with the right skills. This undermines further economic prospects in the medium-term, as 46% of respondents report it as one of their 3 main challenges.

ECONOMIC OUTLOOK – OVERALL ECONOMIC SITUATION

Recent forecasts for the last quarter of 2019 and 2020 point to the endurance of a slowdown movement in the world's economy. According to reports produced by the OECD, the IMF and the World Bank, world's GDP growth rate – although with a slight increase in comparison to what has been projected for 2019 – should not exceed the mark of 3.5 percent next year. This small expansion projected for 2020 is mainly the product of the expected stabilisation of political and economic tensions. Meanwhile, in the eurozone, the GDP growth rate is expected to jump from 1.3 to 1.6 percent, which is still considerably subdued and causing concerns for competent authorities both at the national and the EU level.

International trade has taken several hits as a result of multiple political and economic issues as well as the downturn in the industrial sector, with falling demands for investment and durable goods. Household consumption, so far, remains relatively stable in the euro area, essentially thanks to the maintenance of solid real wage levels as well as to accommodative monetary policies coupled with fiscal incentives. However, the tendency is that consumption will eventually be affected by the falling of investment and the industrial downturn.

Turning specifically to the interest of CEEP members, it is necessary to emphasize that the service sector is keeping up considerable robustness, especially when compared to the industry. In addition, it should be noted that a large portion of public services are indispensable for maintaining a satisfactory standard of living. In its July 2019 report, the IMF calls the service sector the "silver lining" of the current conjuncture, attributing it with the responsibility for ensuring wage stability and confidence in household consumption.

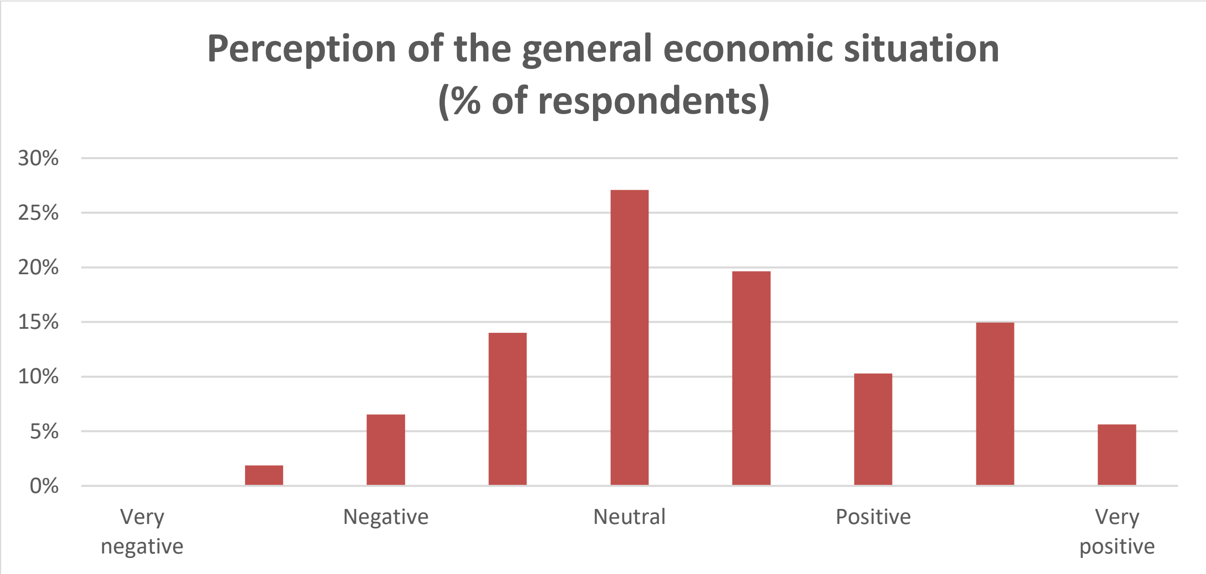
General Context for Employers of Public Services and SGIs

In the light of the challenges they are facing daily (see further), and operating in an economy clouded by uncertainties, providers and employers of public services and of services of general interest across Europe are reporting concerns about the overall economic situation.

Concerns regarding the perception of the general economic situation

Whilst most of the previous editions of the Pulse of Public Services since 2015 have highlighted optimistic outlooks, a shift to more neutral and negative feelings was initiated in Spring 2019. This trend has continued throughout 2019, highlighting the concerns of employers and providers of public services and services of general interest.

Many employers of public services and SGIs are still not totally pessimistic: **about 75% of the respondents to this Autumn 2019 Pulse of Public Services report a positive or neutral perception of the economic situation**. However, a major shift has happened, since the share of respondents reporting a "neutral" feeling has jumped to 27% (up from 21% in Spring 2018, and only 18% last year). **22% of the public services and SGI employers are already depicting the economic situation in negative terms, expressing concerns on the overall context.**

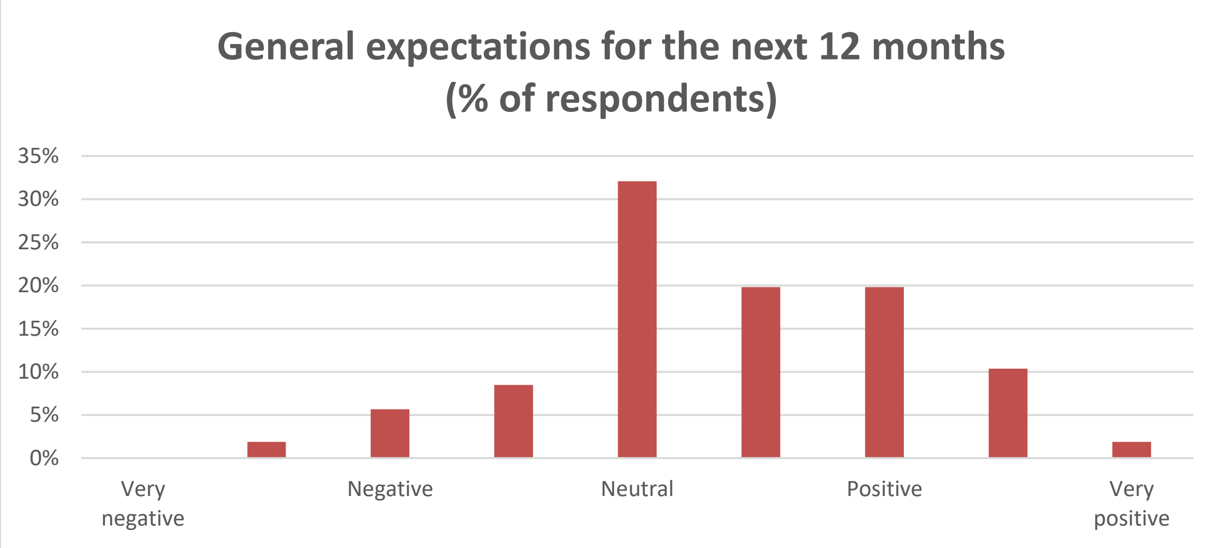


Source: Pulse of Public Services, Autumn 2019

Expectations and growth prospects remain high

When it comes to the expectations for the next 12 months, employers of public services and SGIs keep highlighting positive expectations, with a **majority of respondents – 51% (down from 60% a semester ago, and 64% in October 2018) – reporting such positive feelings for the next 12 months** for their organisations and enterprises. A shift towards neutrality is also taking place: 32% of the respondents have put forward neutral expectations. That figure is a sharp increase compared to the results of Spring 2019, when 25% reported such neutral expectations.

Finally, only 16% of the respondents have reported negative expectations on their side, highlighting that the concerns regarding the economic situation are not yet fully translated into a risk for the organisations.

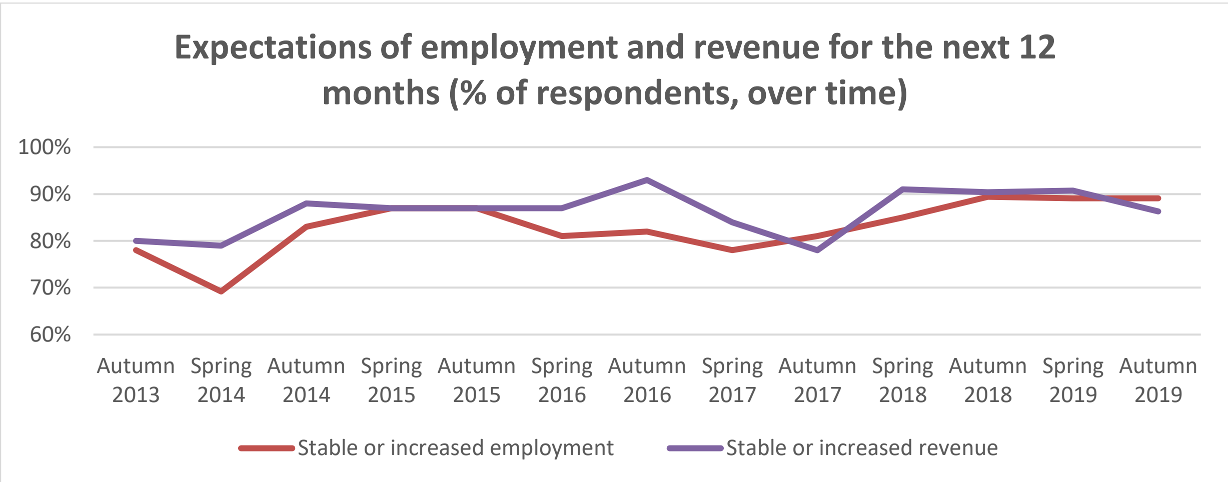


Source: Pulse of Public Services, Autumn 2019

Prospects for growth and employment in public services in regression

Despite the decline in the perception of the economic situation, respondents keep showing some optimism when questioned about the recent evolution of employment and turnover within their organisations, and the perspectives for the 12 upcoming months. **89% of respondents expect a stable or increasing revenue in 2019**.

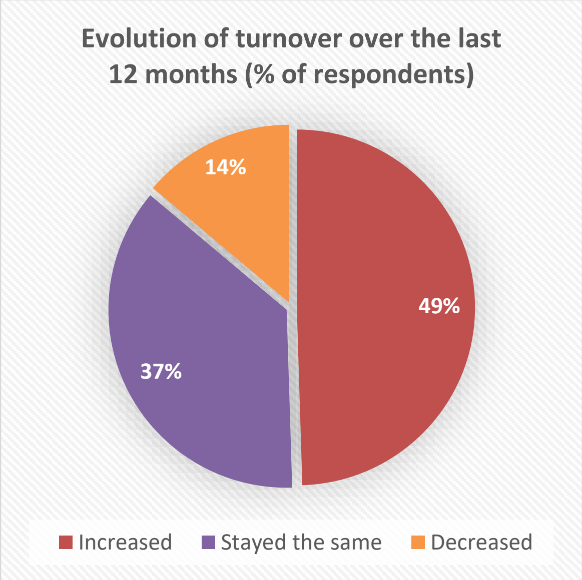
The foreseen trend in employment in the organisations is expected to evolve along the same lines, as **86% of respondents expect employment in the organisation and enterprises to stay at the same level or to increase**. After a constant increase between Spring 2017 and Autumn 2018, and a stability highlighted in the Spring 2019, this figure is now slowly decreasing, highlighting the concerns on the overall economy which are now slowly starting to impact the activities of employers and providers of public services and SGIs.

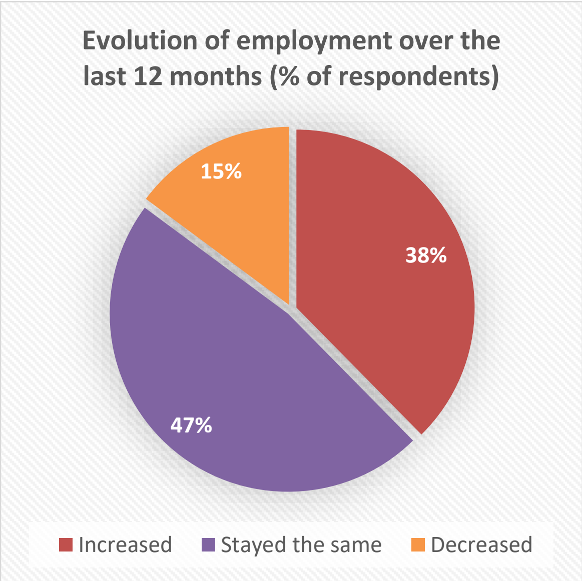


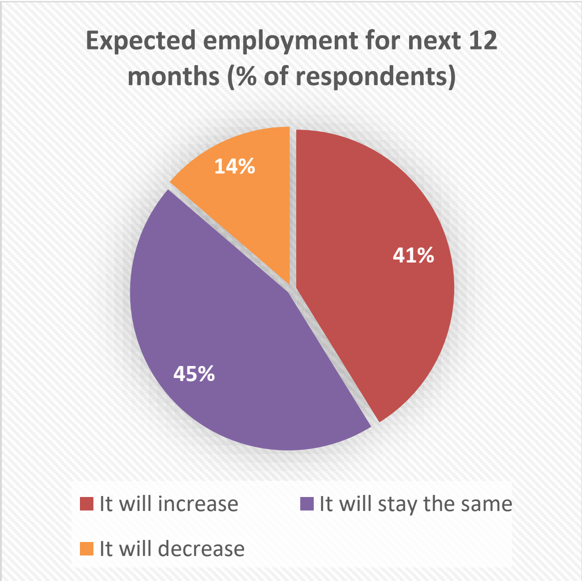
Source: Pulse of Public Services, Autumn 2019

Employers of public services and SGIs remain quite optimistic about their future 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 trends foreseen in previous Pulses of Public Services.

11% of respondents nevertheless still fear a decrease in the turnover of their organisation (in line with 10% reported in Spring 2019), and 14% expect job cuts in the coming 12 months (up from 10% in Spring 2019).





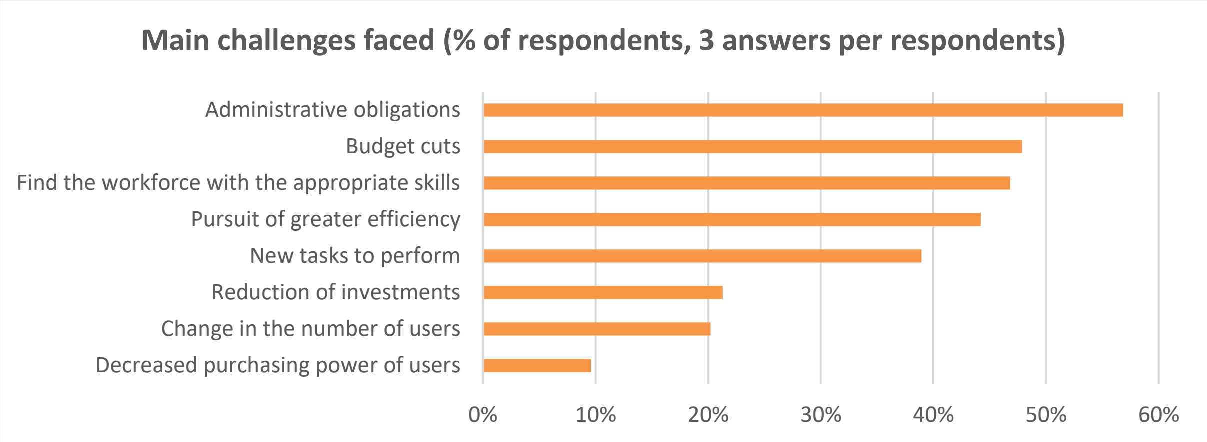


Source: Pulse of Public Services, Autumn 2019

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 obligations and legislation increasing the administrative burden;**
- **Budget cuts;**
- **Finding workforce with the appropriate skillset;**
- **Pursuit of greater efficiency.**



Source: Pulse of Public Services, Autumn 2019

Challenge I: Legal obligations and administrative barriers

Dealing with administrative and regulatory measures[1] has been and remains a key challenge for many enterprises, including amongst our members and employers and providers of public services and SGIs. Administrative and regulatory requirements further complicate the everyday functioning of the organisations and can hamper the efficiency of public services and services of general interest for citizens and businesses.

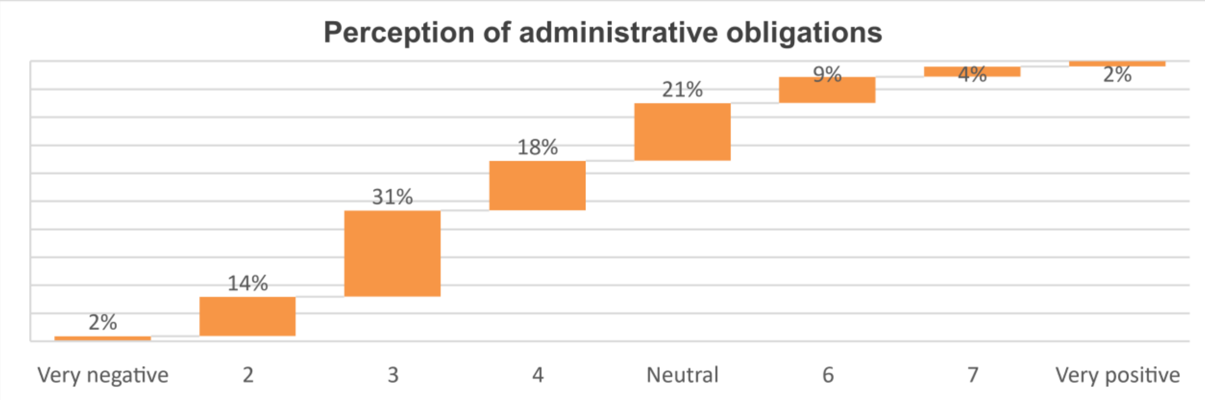
57% of respondents report this issue as one of their three most important ones, making it a highly pressing challenge, especially for smaller-scale organisations and those operating at local level. Despite its wide-spread presence, **less than 10% of the respondents report it as the main challenge**.

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: 48% of the respondents employ 250 employees or less, and 60% operate at local or regional level, directly in contact with citizens. Despite this responsibility and their relative small size, most employers and providers of public services and SGIs are not considered as SMEs, as they benefit from public funding, and are therefore **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**, further worsening the administrative barriers faced.

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

Administrative barriers also hinder the capacity of organisations to invest and provide the expected essential services. 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.

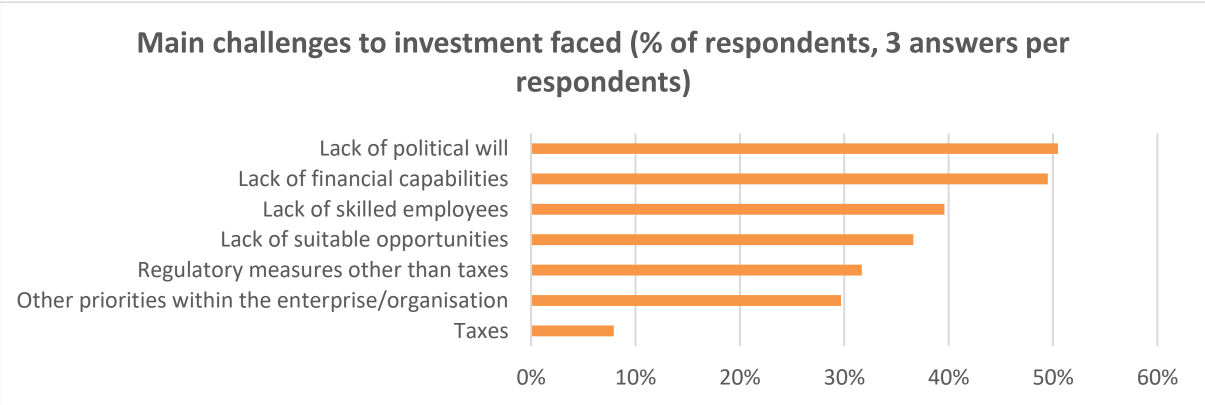
Whilst remaining a key challenge, the perception of the administrative obligations is still very negative, associated with red-tape and seen as a burden. When directly asked about their perception of the administrative measures which they must include in the daily functioning of their organisation, an increasing number of respondents - 64% - report it as having a "negative" or "very negative" impact, and 21% of respondents have neutral views, balancing the positive and negative aspects of the legal obligations.



Source: Pulse of Public Services, Autumn 2019

Challenge II: Budget constraints and lack of investment

Despite the return to economic growth and the various European initiatives to boost investment, employers and providers of public services keep facing difficulties when it comes to investing and financing their activities. Years of fiscal consolidation have led to both budget cuts, and many providers of SGIs have not fully recovered yet: **48% of respondents report "budget cuts" as a main concern**, leading to reduced opportunities of investment, whilst **21% report the reduction of investments as another challenge.**



Source: Pulse of Public Services, Autumn 2019

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

- **Lack of political will** (50% of respondents reporting it among their top 3 factors);
- **Lack of financial capabilities** (by 46%);
- **Lack of skilled employees** (39%).

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 critical issue, linked to, on the one hand, a lack of political will and, on the other hand, their own financial capabilities. This challenge requires answers via a more holistic political remobilisation to support investment, a proper channelling of funds available to public services' providers and by taking steps to lighten the administrative barriers to investment.

The lack of skilled employees is also 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 III: Finding workforce with appropriate skills

Despite the return to economic growth, employers, including of public services and SGIs, face important difficulties in recruiting workers, which can undermine future economic prospects. 40% of respondents to this Spring 2019 Pulse of Public Services report "**Finding Workforce with the appropriate skills" as one of their 3 main current challenges** (18% as the first challenge, 14% as the second, and 15% as the third).

This issue is a recurring one for many employers, and especially those of public services and services of general interest. It confirms the existence of a **structural skills mismatch and labour shortages** both in countries with high levels of employment, and in those with high levels of unemployment.
The **impact of the digital and the sustainable transitions** across all sectors is making it difficult for enterprises to find the right employees. Together with financing instruments to help employers and employees to adapt adequately to the changes, a better alignment between education/training systems and labour market is needed to reduce skills mismatches. A key part of 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 lever is **employee training**, which has an important role to play in **upskilling and reskilling workers in view of the digital and sustainable transitions, as well as the other societal trends, such as demographic change**.
Social partners have addressed a series of recommendations on employee training, on the need to make use of the future ESF+ to support investments in education and skills and on the necessity to support the modernisation and reform of education and training systems.

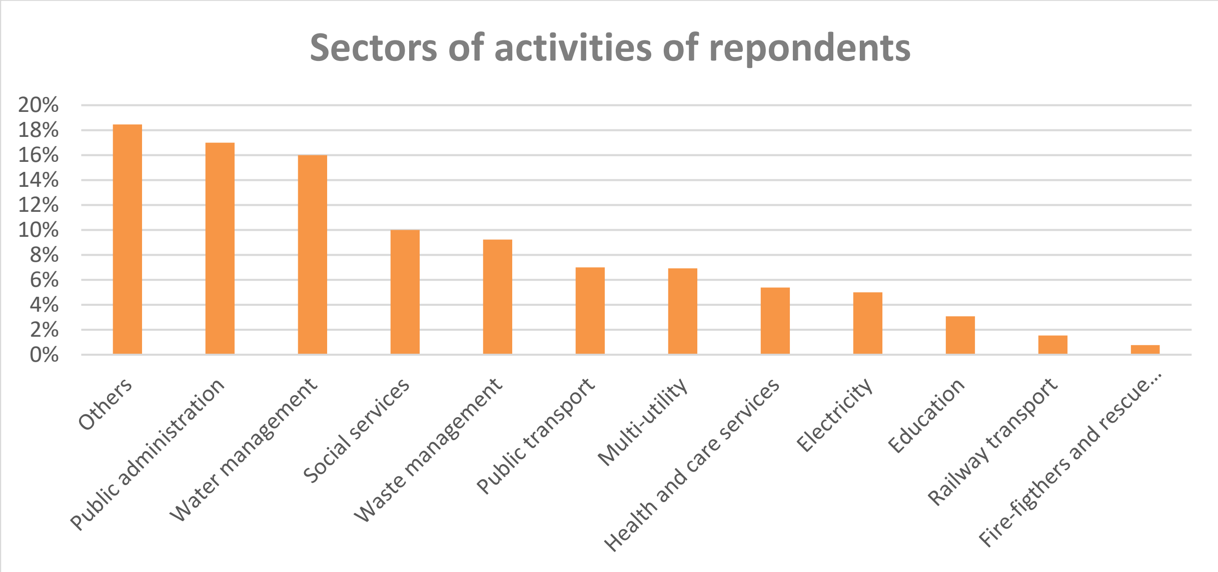
Challenge IV: Pursuit of greater efficiency and new tasks to perform

Finally, in a fast-evolving environment (including, but not limited to, adapting to the digital and sustainable transformations) and faced with the need to provide users (both citizens and businesses of all sizes) with high-quality services, 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 challenge amongst 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 challenge, with 39% of respondents indicating it as an important priority.

Who are the respondents?

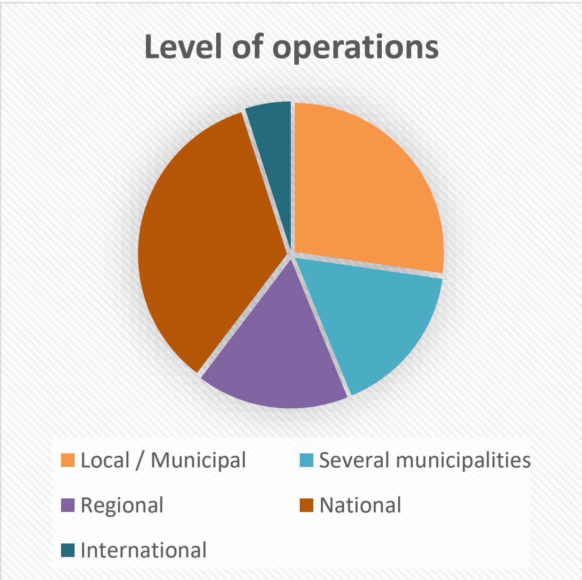
The survey was circulated amongst CEEP members. Answers were collected in September/October 2019. The survey was available in 6 languages (English, French, German, Swedish, Italian, Spanish).

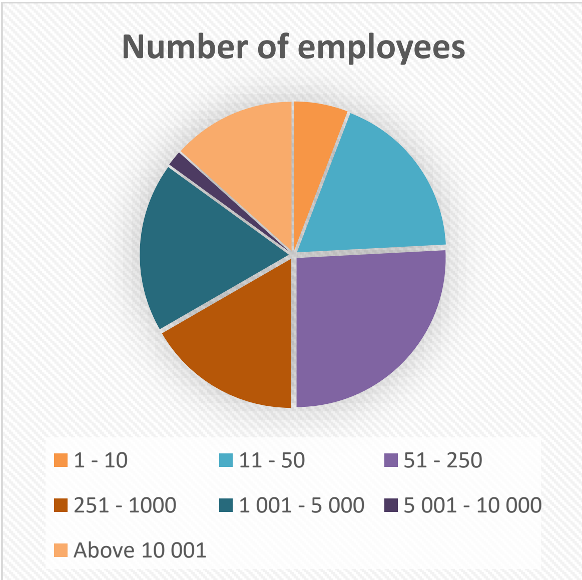
The sectors of activity of the respondents reflect the diversity of what public services encompass, from public administration to water management, including public transport, social services, education or healthcare:



Source: Pulse of Public Services, Autumn 2019

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 and regional level, about 34% of respondents are active at national level, and only 5% internationally. 50% of respondents are also enterprises employing less than 250 people.





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