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BSA Submission to the Inclusive Growth Commission

The Business Services Industry and Inclusive Growth

The Business Services Association - the BSA - is a policy and research organisation. It brings together all those who are interested in delivering efficient, flexible and cost-effective service and infrastructure projects across the private and public sectors. A list of members is included as an Annex.

The industry we represent encompasses ICT, business process outsourcing, facilities management, construction and infrastructure services, and managed public services. Together these sectors account for 8 per cent of the economy and some three million jobs across every part of the UK. For example they are responsible for at least one in ten jobs in the North East, North West and South West.

This is therefore an industry which has a crucial role to play as an engine of inclusive growth and prosperity; contributing to the delivery of public services; and achieving wider social value objectives.

Industrial Strategy, Productivity and Inclusive Growth

The Government's industrial strategy is at the heart of policies which aim to achieve growth benefiting every part of the UK and all sections of society. We welcome the focus the Government has placed on this strategy. We also welcome the place-based approach which the Prime Minister and the Business Secretary have both set out.

However it is important that the Government does not simply replace the old approach of picking national winners from Whitehall with picking regional winners from Whitehall. It is certainly important to recognise the particular strengths of each town and city, and to help them specialise in those sectors where they excel, but it is equally important to recognise interdependence between sectors and between regions, and the role that industries such as business services can play across the whole of the UK.

This is especially the case when the old barriers between the sectors are breaking down, with market, digital and technological change leading to servitization in manufacturing and increasingly an 'internet of things'. In today's world a thriving service sector helps other sectors thrive as well.

The Government has also rightly identified the need to increase productivity as a means of generating growth. Research commissioned by the BSA shows the link between the use of business services and productivity. An increase in outsourcing of 1 per cent adds £2 billion in productivity gains to the UK economy each year, as businesses focus on delivering their core activities more efficiently. Furthermore analysis of sectors which use outsourced services shows this resulting productivity growth is not coming at the expense of jobs. In addition, the most intensive users of outsourcing have also experienced more than double the average annual export growth¹.

¹ <http://www.bsa-org.com/articles/2015/11/18/increased-outsourcing-leads-to-productivity-gains>



Devolution and Inclusive Growth

Along with the industrial strategy, devolution deals are now being taken forward, with the first elections for the new metro mayors due in May. Several other trends are underway locally at the same time - including budget reductions, incentives for growth through business rate reform, rising demand, technological advance, and changing expectations. These in any event will lead to radical service redesign, a focus on targeted services accompanied by discussions on digitisation, a big focus on place shaping, and investment in prevention and behaviour change. All these changes provide an ideal opportunity to hardwire inclusive growth into the new strategies of each area from the start.

The focus initially has understandably been on devolution proposals which are aimed at stimulating economic growth and development, including in skills but especially in areas such as infrastructure and transport in which local government has already developed knowledge and experience. As this note sets out, commissioned wisely such projects are vital for inclusive growth. In addition, the goals of wider service integration and improvement should not be seen as an alternative to economic growth but as complementary to it.

Devolution deals can be used to help break down the barriers which have existed between economic and social infrastructure. When decisions about economic and social policy and across service streams are taken at the same strategic level, this should enable the needs of 'place' to be considered as a whole and allow all interconnected policies to be considered together to help meet those needs.

Services such as employment support, skills provision, and health and social care provision not only improve people's quality of life but help provide a healthier, more skilled and more productive workforce. The aim should be to produce a virtuous circle of local service delivery which will help generate inclusive growth which, in turn, generates the income for services to be provided.

Achieving such a goal involves the public, private and VCSE sectors working together, with each playing to their strengths. In such an environment, businesses - including larger businesses with substantial resource and national and international experience - have a vital contribution to make.

This contribution includes:

- inward investment into an area;
- employing local workers and offering them career development opportunities across the business which might not otherwise be available;
- developing people capacity, amongst employees and the wider community, through training, employment support and related services;
- building up local business capacity by working in partnership with smaller companies in the supply chain; and
- scaling and replicating innovation and change in service delivery which has taken place elsewhere, thus spreading best practice.

The Public Sector and Inclusive Growth: Place Leadership and Commissioning

To make sure all citizens benefit from growth in their areas, the public sector needs to use all the levers at its disposal. Especially when budgets are severely restricted, these include, in particular, the lever of public procurement.



The commissioning and procurement process can become the foundation for much of the public sector's work to develop inclusive growth. This means developing the strategic commissioning capacity. Commissioning decisions need to be taken at a high enough level in the council for them to be based on a view of the needs of the community as a whole - with a broad picture of the needs of a 'place' and how these can best be met - not just on the basis of the need for a specific pre-determined project, with the contract then decided solely on the basis of lowest cost.

Inclusive growth needs to become an inherent part of the normal commissioning cycle, embedded throughout the analysis, planning, implementation and review stages. "Commissioning" and "procurement" teams need to buy equally into this common objective.

This process involves:

- identifying need across the community, with outcomes led ultimately by the needs and wishes of residents. The private sector can offer analytics and insight, in particular in assessing user need and engaging with customers, facilitating co-production and helping people engage in the commissioning of services - allowing *them* to 'market shape'; and
- working with all stakeholders to identify ways to help meet those needs, with fully integrated public services focused on outcomes and ultimately the needs of the citizen. The private sector is expert at using data as a rich source of information for future service configuration. Commissioners need to have meaningful dialogue with service providers early in the process to ensure that providers' ideas for innovation in social and wider value can be adopted, and new ways of providing services can be developed.

For example, in the case of an infrastructure project such as a road or rail scheme, first of all the needs of the whole community need to be taken into account in assessing the nature, location and design of the project. Measures can also be put in place to ensure as many people in the community benefit as possible - including through increased access. The design and construction process can then itself help contribute to inclusive growth, if commissioning encourages this. Depending on the particular needs of the community, this can include measures on:

- employment of local workers and developing a more highly trained local workforce, for example through apprenticeships; and
- helping scale up local SME capacity by making full use of the external expertise and supply chain management which larger companies can bring to the table. BSA members have supply chains which include over a quarter of a million SMEs and which span the length and breadth of the UK. Working with supply chain partners in a responsible and collaborative way can directly stimulate inclusive growth.

This involves the ongoing development of rigorous social value metrics which can form a clear basis for commissioning decisions, and which are flexible enough to vary according to local need.

New models of service delivery can also be used. These can involve the full range of sectors - from public to private to VCSE and mutuals - and sizes of organisation. The ultimate aim may be types of partnership working which are based on long-term relationships. Known and trusted strategic partners are able to align values and help 'place shape' over the long term. This encourages both long-term investment and the development of personal trust, but should not tie parties into lengthy inflexible contracts.



The Private Sector and Inclusive Growth: Corporate Behaviour

Providing training, employment and social value through specific projects is one important way in which the private sector can contribute to inclusive growth. But, working with commissioners, companies also recognise their wider responsibility to their employees and to the wider community.

This includes pay and conditions and workforce development; focusing jobs and training specifically on young people, long-term unemployed people, and those from disadvantaged backgrounds; partnering with SMEs and local businesses; and behaving in a sustainable way.

Such behaviour is good business - not simply to win contracts, but to help recruit, motivate and retain talented people who are increasingly interested in wider business responsibility.

Education, Skills and Inclusive Growth

Business services are 'people businesses' which employ huge numbers in each part of the UK. Therefore one of the most important areas in which the industry can work to generate inclusive growth is through education, training and skills development.

The industry has a particular responsibility to develop links with schools and with training and employment support providers, both to make sure training matches the jobs available but also to help expand the horizons of young people as to the full range of opportunities open to them across the industry.

It also has a responsibility to promote training and apprenticeships amongst its own staff. BSA members alone employ 17,000 apprentices, and the BSA is developing a 'trailblazer' apprenticeship scheme in cleaning.

Improvements in education, skills and employment support are some of the most important ways to spread prosperity, tackle unemployment and hidden unemployment amongst groups who can feel excluded from the labour market, and help people progress into more rewarding jobs.

The public sector can help encourage such training by setting out a clear pipeline of work so infrastructure providers and others can plan ahead. It is also important that resources for training can be used by employers as flexibly as possible, as training needs - and the age profile of those who require training - will vary from area to area.

Conclusion: Business Services and Inclusive Growth

The business services industry has an important role to play in making sure all parts of the country and all sections of society benefit from growth. For this contribution to be maximised inclusive growth needs to be an explicit goal of policymakers at local and national level, especially when commissioning decisions are being taken. This is the way to ensure that all sectors of the industry can work in partnership with the public and VCSE sectors to generate the virtuous cycle between inclusive growth and service development which will enable all communities to prosper.



Annex: List of BSA Members

Full Members:

Accenture Plc
AECOM
Amey Plc
ARAMARK Ltd
Atos
Balfour Beatty Plc
BAM Construct UK
Bellrock Ltd
Berendsen Plc
Bouygues Energies and Services
British Telecommunications Plc
Capita Plc
Carillion Plc
Compass Group Plc
Costain Group Plc
Elior UK Ltd
ENGIE UK & Ireland
Freidman FM
Fujitsu
G3 Systems Ltd
G4S Plc
Ingeus UK Ltd
Interserve Plc
ISS UK Ltd
Kier Group Plc
Maximus UK Ltd
Mitie Group Plc
NSL
OCS Group UK Ltd
Optum Health Solutions UK Ltd
PeoplePlus
Pinnacle Group
Prospects Services Ltd
Robertson FM
Seetec Group Ltd
Serco Group Plc
Sodexo Ltd
Sopra Steria Ltd
TerraQuest Solutions Ltd
Veolia (UK) Ltd
VINCI Facilities

Associate Members:

Baachu
Barclays Corporate
Bevan Brittan LLP
Clyde & Co LLP
Deloitte
DWF LLP
ECI Partners
EY LLP
Grant Thornton LLP
Interim Partners
KPMG LLP
Metzger Ltd
Nabarro LLP
New Street Executive Search
PA Consulting Ltd
Pinsent Masons LLP
PricewaterhouseCoopers UK
Reynolds Porter Chamberlain
Royal Bank of Scotland Group Plc
Satori Executive Search
Sharpe Pritchard LLP
Trowers & Hamblins LLP