



The Business Services Association

130 Fleet Street,
London.
EC4A 2BH

T: 020 7822 7420 W: www.bsa-org.com [@THEBSASSOC](https://twitter.com/THEBSASSOC)

**The Business Services Association
General Election 2017 Manifesto**

The BSA - Business Services Association - is a policy and research organisation. It brings together those who are interested in delivering efficient, flexible and cost-effective services and infrastructure across the private and public sectors.

Business services are vital to the UK economy because they provide essential support for other industrial sectors. We invest in administrative services, facilities management, infrastructure and IT so our business clients can focus on what they do best. Almost a third of the sector's activity is supplying services to government. Working in partnership with the public sector brings new thinking and investment to improve quality and deliver savings for taxpayers. The sector:

- employs 1 in 10 of the workforce across all UK regions¹
- contributes 9.3% of GDP²
- is the second-largest contributor to the trade surplus in services and attracts significant foreign direct investment³
- raises productivity as clients can focus on delivering their core activities more efficiently. An increase in outsourcing of just 1 per cent adds £2 billion in productivity gains to the UK economy each year⁴.

For the sector to continue growing and delivering prosperity we need access to a willing and motivated workforce. The new government must act to retain the skills of people who have already migrated here, to continue attracting talent into the UK, and, in tandem, work with industry to improve the skills of UK workers and become self-sufficient over the medium to long-term.

This document sets out the BSA's four policy priorities to help inform the manifesto writing processes of all the political parties.

1. Invest in connectivity to create more economic hubs

We urge the new government to invest in upgrading the UK's digital infrastructure. Better Wi-Fi and high-speed broadband coverage would lead to immediate economic gains for UK plc. We know the multiplier for every £1 spent on construction - that it generates £2.84 in total economic activity, at least 90% of which stays in the UK⁵ - but we believe the multiplier for IT connectivity would be much more.

¹ Economic contribution of the business services sector, Oxford Economics, January 2015

² Economic contribution of the business services sector, Oxford Economics, January 2015

³ Office for National Statistics - UK trade: June 2016 - August 2016

⁴ Oxford Economics, 2015, The use of business services by UK industries and the impact on economic performance

⁵ LEK Consulting, 2010, Construction in the UK Economy



For regions outside of London to achieve their full potential there needs to be transformational improvements to local transport infrastructure. This will enable key cities to function as interlinked economies, pooling labour and expertise and opening up opportunities. The service sector thrives in areas where people can move about easily and interact. Often the biggest differences can be made by improvements involving journeys of 30 minutes or less. These are often the schemes that will be prioritised if decision-making is in the hands of local residents, businesses and their representatives. New types of public private partnerships should be developed whereby the private sector can make the initial investment necessary and then be repaid over the course of a contract. The private sector is willing to take on more of this risk through new 'gain share' investment models.

2. Work with industry to improve skills and productivity

Helping more people into the labour market and providing rewarding careers will address feelings of being 'left behind' and drive inclusive growth across the country. There are various mechanisms that could be trialled. For example, using apprenticeship levy money as salaries in specific areas and allowing mayors to spend the mayoral precept on skills could incentivise businesses to relocate. Employers must be encouraged to use the apprenticeship levy to create a culture of life-long learning for older recruits and existing staff.

An immediate concern for skills is in the infrastructure industry. The number of projects in the pipeline means that demand for skills could outstrip supply. This would push up prices and cause delays. Both the National Infrastructure Commission and the National Productivity Investment Fund must recognise the need to match infrastructure ambitions with ambitions on skills. Initiatives like the National College for High Speed Rail are one way in which training needs in particular sectors can be addressed and should be expanded.

Investing in technology is the best way to gain competitive advantage. Yet businesses are held back by a general shortage of digital skills in the workforce. Regional disparity in such skills mean businesses struggle to thrive in certain areas. Competition over a small number of technical skills is fierce, and the demand for these skills is rapidly increasing. Businesses must play their part by providing up-to-date training, investing in technical apprenticeships and reskilling older workers. But new sources of talent must be found if the economy as a whole is to capitalise on this growth. Increasing diversity in the field should be the first step. The government has a role to play in encouraging girls to continue studying STEM subjects after the age of 13, which is when a disproportionate number move away from these subjects. It should also focus digital education on the underlying cognitive abilities that are needed to 'future proof' children as they leave school, such as problem solving, reasoning and information ordering.

3. Control the costs of doing business

Businesses are currently dealing with a number of upward pressures on the cost of employing people. Namely, increases in the National Living Wage, the introduction of the Apprenticeship Levy in April, and the planned uprates in employer contributions for pension auto-enrolment. In an environment of such political and economic uncertainty, the new government should commit to restraining these costs in the short to mid-term to avoid any unintended consequences and a reduction in employment.



4. Invest in public service commissioning to improve market competitiveness

Government spent £194bn on external suppliers in 2014/15. The way it manages its supply chain is very important to the efficiency and effectiveness of public services. Although there has been good progress in improving procurement skills, contractors are concerned about low-price tenders and aggressive risk transfer. This has led to a breakdown in trust between government and the industry. We are increasingly seeing tenders where there are no bidders, which signals the long-term competitiveness of the market is at risk. We recommend the following⁶:

- Government must make clear at the highest level that procurement and contract management tools that are appropriate for buying 'paperclips' - easily commoditised, specified goods and services - are not appropriate for commissioning complex support services and front-line human services. Complex services have become commoditised before they are ready to be and this has led to a breakdown in trust between client and contractor.
- Government must understand why procurements often favour the lowest price over value-for-money and introduce systems and processes to compensate for the bias.
- Consideration should be given to establishing a centre for excellence for the applied study of public service contracting, and the design and operation of public service markets. This would work best if jointly funded by industry and government with a commitment to the centre's longevity and independence.

⁶ Professor Gary L Sturgess, 2017, *Just Another Paperclip? Rethinking the Market for Complex Public Services*



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