

1. Investing in science, research and innovation

The government must do more to acknowledge that innovation is not just about flashy new kit but also applies to services. The UK economy is mostly service based so to not promote innovations in this area is a missed opportunity. Changes can be made in the management of large workforces, like better scheduling, or the running of an asset, like ventilation, air flow and office planning, that significantly impact productivity. Increased servitization - where companies integrate products and services to offer value in use, or 'power by the hour' - allows innovation to be created in new parts of the value chain. The growth of the internet of things means entire estates can be connected to a central control point, allowing building managers to tailor the environment to the client's needs.

In the public sector, the move to regional power bases is an opportunity to invest in transforming services through integration. This can be horizontal - geographic or organisational, for example, integrating health and social care; or vertical - to increase efficiencies by sharing standard services like HR and payroll. The benefits of this integration include better public policy outcomes, for example, reducing hospital admissions, or an increased focus on business needs and customer service rather than on processes and technology. Our sector is developing the innovations which underpin this integration, including better use of insight, analytics, automation and cognitive technologies.

2. Developing skills

Business services rely primarily on people for their success. As a sector that employs a lot of people in low-skilled roles, one of the things we notice is not necessarily a lack of job-specific skills (which employers can give people themselves) but a lack of readiness for work in general. We welcome the Industrial Strategy's mentions of careers advice and guidance and hope that will go some way to encouraging more young people to consider our sector as a good place to work, but we believe there is also a role for the system to play in helping to get young people ready for the world of work with soft skills like punctuality and time management. Employers are keen to do their bit (and they are doing a lot), but there is a role for the education system to play here too. Closer links between schools and employers would help.

The industry has a responsibility to promote training and apprenticeships. BSA members employ 17,000 apprentices, and the BSA is developing a 'trailblazer' apprenticeship scheme in cleaning. One BSA member alone employs 1,200 apprenticeships a year, covering a range of over 35 subjects, helping to transform the lives of individuals and families.

The apprenticeship levy could be an opportunity to increase productivity, but employers need flexibility over how to use it, for example, for older recruits and, if providing genuine apprenticeship training, existing employees. Otherwise the risk is that the number of apprenticeships decreases.

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.

The whole of the business services sector suffers from a shortage of digital skills. Digital skills make people more productive, employable, and able to access on-line public services. Digital skills taught in schools, like coding, should emphasise the underlying cognitive abilities, such as problem solving, reasoning and information ordering. Businesses can then play their part by training people on specific programmes.

3. *Upgrading infrastructure*

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. 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.

We urge the government to invest in upgrading the UK's digital infrastructure. Enabling greater digital connectivity across the UK, encompassing both rural and urban areas, would lead to significant productivity gains. 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 UK¹ - but we believe the multiplier for IT connectivity would be much more.

4. *Supporting businesses to start and grow*

The business services sector depends on complex supply chains. Creating a supply chain centred on local SMEs can have a positive economic, social and environmental impact on an area. It ensures that money spent is reinvested in the area and brings the providers closer to their end customers, enabling better feedback, commissioning and delivery of services.

The UK has key tech clusters but these centres of excellence are not translating to their wider regions and across all areas of business. Business service companies can help by providing a link between government, research and businesses. For example, one member has recently led the delivery of 7 superfast broadband exploitation and inclusion projects providing information to over 85,000 businesses, through over 780 workshops and providing one-to-one support to over 2,000 businesses.

5. *Improving procurement*

The UK public service market is the most sophisticated in the world. The government spends more on external suppliers (£242bn) than it does on its own staff (£194bn in 2014/15). The way it manages its supply chain is very important to the efficiency and effectiveness of public services. Although the government has made good progress in improving procurement skills, contractors are concerned about low-price tenders and aggressive risk transfer. The BSA recently commissioned a report from Professor Gary Sturges which includes detailed analysis of how to improve the sustainability of public service commissioning.² Here are a selection of recommendations from the report:

- 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 government 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.

¹ LEK Consulting, 2010, Construction in the UK Economy

² Professor Gary L Sturges, 2017, *Just Another Paperclip? Rethinking the Market for Complex Public Services*

- 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. Encouraging trade and inward investment

The business services sector attracts inward investment and helps its clients to become export ready. The UK leads Europe in attracting corporate headquarters, software companies, financial services, and the manufacturing sector, all of which rely on the availability of state-of-the-art offices and commercial outlets as well as services such as facilities management, business process outsourcing, and ICT outsourcing to support their core work.³ A strong business services sector helps the UK remain one of the easiest places in the world to do business.

Sectors that invest a higher proportion of their output in business services have seen faster growth in the value of their exports (as well as enjoying higher productivity growth than the UK average).⁴ The business services sector is important not only in contributing to the UK's trade balance in itself, but in helping other UK companies do so as well (see table below).

Spending on business services and growth in productivity and export value⁵

	Spending on business services in 2013	Annual productivity growth	Annual export value growth
Professional services	14.6%	2.3%	11.8%
Support services	14.6%	2.2%	6.8%
Information and communication	11.2%	3.2%	11.4%
Financial services	10.7%	3.0%	12.8%
Average across sectors	7.7%	1.6%	5.3%

7. Delivering affordable energy and clean growth

As one of their biggest costs, business services companies rely on a steady supply of affordable energy to keep projects viable. Low carbon technologies such as biomass, wind, hydroelectric, solar and nuclear power require further investment and research to increase their distribution and effectiveness as providers of energy.

8. Cultivating world-leading sectors

A number of fast-growing, world-class business services companies have been able to take their experience working with both the public and private sector as they expand their operations across the globe. For instance, BSA members provide taxi information services in Singapore, offer business process outsourcing and facilities management services in Kenya, and install ICT systems for the US Navy. Their global footprint is an integral part of the UK's trade network and their growth and success feeds directly into the UK economy. However, the sector would benefit greatly if the UK government recognised it officially as a unique and distinct part of our economy.

Driving growth across the whole country

The whole of the UK benefits from business services growth. Unlike the financial services or manufacturing sectors which cluster by region, business services employment is dispersed evenly

³ EY - The UK Attractiveness Survey 2015

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

⁵ Oxford Economics, 2015, The use of business services by UK industries and the impact on economic performance

across the UK, meaning economic success and the benefits of a strong business services sector reach every region.⁶ Business services companies - including larger national and international companies with substantial resource and national and international experience - contribute to growth across every region. As well as improving productivity in the companies they work for, they

- bring inward investment into an area;
- employ local workers and offer them career development opportunities across the business which might not otherwise be available;
- develop people capacity, amongst employees and the wider community, through training, employment support and related services;
- build up local business capacity by working in partnership with smaller companies in the supply chain. BSA members have supply chains which include over a quarter of a million SMEs; and
- scale and replicate innovation and change in service delivery which has taken place elsewhere, thus spreading best practice.

'Place leadership' is central to driving growth across the country. The process by which public services are commissioned is an important part of this place leadership role, especially when budgets are tight.

More integrated public services can help. 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. So service integration and improvement should not be seen as an alternative to policies which achieve inclusive economic growth, but as part of them. 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.

9. Creating the right local institutions

Government needs local knowledge to be able to make local investments. Local Enterprise Partnerships (LEPs) have become increasingly important in terms of helping to deliver economic growth and job creation. However, they face significant challenges in developing business engagement, mainly because of limited resources. LEPs should establish specialised business networks to bring together experienced large companies and growing SMEs. Contractors should use these networks to host strategic workshops and engage with local business communities.

⁶ Office of National Statistics, September 2014, Annual estimates of employees from the Business Register and Employment Survey