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Inclusive and Sustainable Growth: 10 Lessons from Lockdown

Summary

- The business services industry played an important role supporting inclusive growth across Scotland as in the rest of the UK prior to the lockdown; has played a central role in the emergency response since March; and now has the capacity - and reach - to play a full contribution to getting the country going again.
- The National Performance Framework sets out the goal of a globally competitive, entrepreneurial, inclusive and sustainable economy in Scotland. There are ten lessons from the pandemic period - and especially from partnership working with the business services industry - which can inform how such inclusive and sustainable recovery can be achieved:
 - i. Embed inclusive and sustainable recovery in the policy response at all levels
 - ii. Focus on those groups, communities and regions which have been hardest hit
 - iii. Recognise Place leadership is key
 - iv. Deepen genuine partnership and collaboration
 - v. Encourage investment now for the future
 - vi. Recognise the power of public procurement through the Sustainable Procurement Duty
 - vii. Focus on activities which are core to the response, including in infrastructure investment
 - viii. Embrace innovation vital to the new economy, including deployment of digital
 - ix. Enable the enablers
 - x. Make use of all capacity and experience
- For the foreseeable future there are likely to be shortages in both capability and capacity, as a result of public sector budgets being diverted into emergency areas, and whole sectors - and the people who depend on them for jobs and livelihoods - being severely and unavoidably hit. That means all stakeholders which retain such capacity and capability drawing together in common endeavour, including larger and smaller businesses and VCSE organisations alike.
- The business services industry supports and works in all sectors of the economy. It has deep insights and operating experience that can help inform the planning of the reopening of all sectors in the economy. It has the capacity to support areas and sectors particularly badly hit. It is also expert at scaling and replicating the innovation and change now required. It should be ready to play its part in recovery as it did in lockdown.

1. Background: The Industry's Contribution in Scotland Pre-COVID and since March

The business services industry comprises companies and VCSE organisations delivering ICT, business process outsourcing, facilities management, construction and infrastructure services, and managed public services.

It played an important role supporting inclusive growth across Scotland as in the rest of the UK prior to the lockdown; has played a central role in the emergency response since March; and now has the capacity - and reach - to play a full contribution to getting the country going again.

Ability to Create Jobs and Providing Training

This is a people-intensive industry, long responsible for some 275,000 jobs in Scotland, accounting for more than one in ten Scottish workers¹. Furthermore, these are not just based in Edinburgh, Glasgow or other cities, but across the board in every part of the country. Business services are responsible for at least 6.5 per cent of jobs in every single part of Scotland, and in some cases this figure reaches 15 or 20 per cent².

Many of the sectors within the industry also support rapid career progression, including through the provision of apprenticeships and wider training.

Ability to Support SMEs and other businesses

One lesson from the lockdown is the value in building UK-based supply chains in order to ensure resilience of supply. The importance of 'Community Wealth Building' - strengthening organisations indigenous to a local community - was being recognised prior to COVID-19. Yet in many areas smaller businesses and VCSE organisations have been hit especially hard.

The business services industry has long played a major role in helping build such organisations up. 70 per cent of its work is business-to-business services³. Its professional expertise helps many micro-businesses and SMEs take the crucial next step to becoming medium sized businesses.

Research shows an increase in business-to-business outsourcing is positively correlated with productivity, as businesses focus on delivering their core activities more efficiently. 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 growth⁴.

Furthermore, as well as employing people themselves in every part of Scotland, larger business services organisations have also long worked in partnership with smaller and more local businesses and VCSE organisations, helping to shoulder the risk and provide the up-front finance which are often necessary parts of contracts with public and private sectors alike.

Strengthening Place

In all these ways, business services providers can help other companies and VCSE organisations compete more effectively, build up local SMEs, and help employ and train local workforces.

They have long had significant potential to contribute further to the economic growth of Places across Scotland and the UK, building up their economic and social infrastructure and helping to boost productivity. Today they have helped keep the country going during lockdown, and can now play their part in recovery.

¹Page 12: <http://www.bsa-org.com/wp-content/uploads/2017/04/OE-BSA-report.pdf>

²Breakdown pp 46-7:

http://www.bsa-org.com/uploads/publication/file/162/OE_BSA_report.pdf

³ Page 9: <http://www.bsa-org.com/wp-content/uploads/2017/04/OE-BSA-report.pdf>

⁴ <http://www.bsa-org.com/wp-content/uploads/2017/10/OE-report-for-BSA-Productivity-report-Sept2015.pdf>

Keeping Scotland Going During Lockdown

More recently, the contribution of the industry has become even more apparent.

Workers in areas such as cleaning, construction, ICT, refuse collection, catering, call centres and security have made an essential contribution to the front-line response. Without that contribution, it would simply have been impossible to keep Scotland - or the rest of the UK - going during the lockdown.

This contribution includes:

- services which are vital to the delivery of the health and care response - like cleaning, and helping provide the infrastructure for COVID-19 testing⁵;
- the construction and servicing of the NHS Louisa Jordan - in record time⁶;
- helping vulnerable families and communities⁷;
- keeping transport, waste removal and recycling and other essential services running⁸; and
- providing the day to day support - often unsung - in areas like ICT and cleaning to help essential businesses, VCSE and public sector organisations across the country adapt to COVID-19 so they in turn can keep running.

Some case studies of work during the lockdown are here:

https://www.bsa-org.com/bsa-members-best-practice-case-studies/?dm_i=2OYA,11DZ2,1F73S,3YIMO,1

⁵ <https://www.gov.uk/government/news/edinburgh-airport-covid-19-testing-centre-opens-to-key-workers>

⁶ <https://www.balfourbeatty.com/news/balfour-beatty-successfully-transform-glasgow-s-scottish-events-campus-into-nhs-louisa-jordan-hospital/>
<https://www.kier.co.uk/media/news-releases/kier-supports-scottish-government-s-response-to-covid-19-by-transforming-sec-in-glasgow-in-to-nhs-louisa-jordan/>

⁷ <https://www.compass-group.co.uk/media/blog/compass-group-uk-ireland-donates-over-25-tonnes-of-surplus-food-to-help-feed-people-in-need/>

<https://robertson.co.uk/news/robertson-donates-timber-shelter-nhs-help-vulnerable-patients>
https://www.bsa-org.com/wp-content/uploads/2020/05/Amey-social-value-through-the-pandemic-BSA_ED.pdf

⁸ <https://www.serco.com/uk/media-and-news/2020/serco-northlink-ferries-continues-to-provide-essential-travel>

<https://www.veolia.co.uk/press-releases/waste-workers-delighted-public-support-streetsmiles-spread-across-uk>

2. The Next Steps Forward: Ten Lessons from Lockdown

The National Performance Framework sets out as one of its Outcomes the goal of a globally competitive, entrepreneurial, inclusive and sustainable economy in Scotland⁹. It states:

‘Our economy is inclusive and focused on improving the lives of all our people. We ensure the benefits of economic growth, wealth and opportunities are fairly shared. Access to labour markets and jobs is evenly shared between us. Our sustainable economic growth is not achieved at the expense of our social interests or those of the environment. As such, our economy is ecologically accountable as well as socially responsible. We regard the green economy and our rich ecological capital as a valuable development opportunity and actively progress advancements in these areas’.

There are ten lessons from the pandemic period - and especially from partnership working with the business services industry - which can inform how such inclusive and sustainable recovery can be achieved.

i. Embed inclusive and sustainable recovery in the policy response at all levels

The lessons of lockdown for approaches to sustainable growth should not be lost. Continuing to reduce the carbon footprint must remain a central focus, building on behaviour change which has been enforced over the last few weeks.

That has clear implications for:

- priorities for investment, including in future energy generation, including for domestic heating and including the role of hydrogen, for example through the Scottish National Investment Bank’s primary mission of supporting transition to net zero;
- providing clear measurements for green outputs so they become integral to recovery goals;
- sustainable transport, for example including more EV charging infrastructure at a time when, in the short and medium term at least, public transport use is likely to remain lower; and
- the way in which all goods and services are procured.

Similarly, the inclusive growth agenda has now become more important than ever. Pandemics make economies and societies less level. Meanwhile the response to them forces all stakeholders to fashion recovery from scratch, so it provides opportunity to embed inclusive and sustainable growth more firmly than ever before.

ii. Focus on those groups, communities and regions which have been hardest hit

It has been said that with pandemics we are all in the same storm but not all in the same boat. Some groups and communities have been hit far harder than others.

Helping these groups emerge from the crisis more quickly and more sustainably includes:

- avoiding a ‘lost generation’ by assisting young people into the world of work. Large numbers of apprentices have been furloughed, and workplace training has often become impossible. Furthermore, recessions almost always hit those coming into the jobs market - or who are already furthest from the jobs market - the hardest. There has been a gradual move away from a focus on young people in recent years, as youth unemployment has fallen. But this may now need to be reversed. Potential policy responses include:
 - o investment in pre-apprenticeship ‘soft’ skills;

⁹ <https://nationalperformance.gov.scot/national-outcomes>

- more flexible use of training and apprenticeships provision for employers in sectors where jobs are available (for example by expanding the successful Flexible Workforce Development Fund);
 - a focus on flexible delivery models, and giving people a holistic support package that covers areas such as digital;
 - further help with travel costs for those in more remote areas whose local providers may no longer be functioning;
 - an immediate ramping up of business-led careers advice focused on high-growth and opportunity areas like digital, civil engineering and construction in particular; and
 - encouraging students into vocational training where this is most appropriate to them, including through making sure schools are not simply assessed on numbers going to university;
- reinforcing the links between training providers and FE colleges and local employers, so courses can be refocused on areas of ongoing job opportunities, reflecting changing local labour markets and growth sectors, as local economies now evolve more rapidly than ever;
 - a focus on life-long learning, retraining and providing flexible skills for those people needing to move from sectors which will remain hardest hit;
 - dealing rapidly with the digital divide and digital poverty, both of which will hit vulnerable groups ever harder under the new economy emerging from COVID-19;
 - focusing infrastructure investment on those parts of the country which need it most;
 - continuing to provide clarity on issues like the Living Wage. Contracting authorities are already encouraged to follow the lead of the Scottish Government by promoting the payment of the Living Wage in public procurement contracts and making this position clear¹⁰. A number of BSA members have also signed the Scottish Government's Business Pledge, covering wider issues such as workforce engagement and development; a skilled and diverse workforce; gender pay gap; and zero-hours contracts¹¹;
 - ensuring that groups already disadvantaged in the labour market, including disabled people, care leavers, ex-offenders and the homeless, are not further disadvantaged by the expected rise in unemployment and increased competition for vacancies. Existing Scottish Government employment support provision, such as Fair Start Scotland, should be maintained and adapted to achieve this; and
 - understanding the broader health impacts of the pandemic and associated economic downturn, particularly the likely increased prevalence of mental health issues and associated support requirements for both individuals and employers.

iii. **Recognise Place leadership is key**

COVID-19 has highlighted both our interconnectedness and the distinct needs of individual communities, because a global virus has nevertheless affected different communities differently. Those different communities will also wish - and need - to fashion their recovery and their futures differently.

Furthermore, the voices of local communities, and their local and devolved government representatives, should be at the heart of the decision-making process going forward.

¹⁰ Guidance on fair work practices including the living wage, October 2015:
<http://www.gov.scot/Resource/0048/00486741.pdf>

¹¹ <https://scottishbusinesspledge.scot/>

As a consequence of COVID-19, local communities have found innovative ways to care for vulnerable people in their midst. This hard-won experience of what beneficiaries need and how those needs can be provided for, including by communities themselves, should be subject to early lessons identified for capture and analysis. The understanding gained should be used to inform local public service provision in concert with the communities to be served.

Place leaders will therefore be key - enabling communities to drive response, providing leadership so those needs and wishes can evolve into strategy, and drawing together stakeholders in putting it into effect.

The City Region Deal and Growth Deal programmes have provided an opportunity to hardwire inclusive growth into the strategies of each of these areas. BSA members have visited all the City Region Deal areas, along with the Ayrshire Growth Deal, and heard how they aim to stimulate economic development, especially through transport and infrastructure. Commissioned wisely, such projects can form an integral part of the inclusive and sustainable growth agenda. Regional Economic Partnerships across Scotland have also provided an opportunity to take a genuinely collaborative approach, involving all stakeholders, forwards.

It is vital this work is not now lost. Adapting the early findings from these bodies to the new realities of a COVID-19 world and its aftermath must be a top priority for all areas, working with businesses and communities themselves.

iv. Deepen genuine partnership and collaboration

The NHS Louisa Jordan is a great example of the speed and flexibility in which public, private and VCSE sectors worked together in support of shared goals.

The application of Supplier Relief through SPPN5/2020¹² has also led to unprecedented levels of partnership working. That too has been based on:

- an understanding of common challenges and common objectives (namely that vital services should be enabled to survive beyond the lockdown);
- alignment of understanding of how to meet those shared objectives;
- willingness of all parties to flex and adapt in order to do so; and
- new levels of transparency on all sides in support of these aims.

There is a similar need to understand - and align - objectives in the recovery phase. Doing so will accelerate and smooth the reopening and help to ensure lasting change.

Similarly any new employment initiatives and programmes should be aligned to wider economic objectives - that foster genuine collaboration between the Scottish Government, local government, business, and skills/employment providers on shared objectives. There is now a genuine opportunity to develop ever more effective packages of support that encourage a spirit of collaboration rather than competition.

v. Encourage investment now for the future

Rarely has there been greater need to encourage investment in skills and technology, but rarely has there been a better opportunity to do so - and to identify the right sort of skills and technology to invest in for the future.

It is important not to see investment in skills and technology as alternatives. They go hand in hand. Businesses which invest in one tend to invest in the other, and the conditions which enable one tend to enable both. In particular, local and national economic stability and a clear forward pipeline of work both encourage a long-term view and investment. There remains a particular need to encourage SMEs and start-ups, especially in the tech sector, to take a longer-term approach.

¹² <https://www.gov.scot/publications/coronavirus-covid-19-supplier-relief/>

vi. Recognise the power of public procurement through the Sustainable Procurement Duty

Public sector organisations have huge ability to use the tool of public procurement to achieve their priority objectives on investment and on sustainable and inclusive growth.

The work to embed the sustainable procurement duty, and the related provision of community benefits, at the heart of public procurement reforms has never been more important. It links procurement directly to the National Outcomes - which are, in turn, designed to reflect the overall values and aspirations of the Scottish people.

Key to this is making sure strategic leadership teams are aligned with procurement teams and policies, so commissioning decisions are driven by value and by local priorities - and not simply by lowest cost.

Doing so can help meet recovery objectives on:

- people, with a focus in award criteria on enabling existing local employees to upskill and move up the career ladder, and / or those further away from the local labour market to be employed and trained, including groups hit hardest by the pandemic and who may already have been under-represented in employment;
- sustainable growth; and
- the local economic environment. All types of organisations have a role to play in recovery and in rebuilding the economic and social infrastructure of a Place. In many areas of the country smaller businesses and VCSE organisations have been hit especially hard. Larger organisations have the capacity and reach to help. They can help support and rebuild local SME capacity, by making full use of the external expertise and supply chain management they can bring to the table. It is incumbent, now in particular, on large organisations to pay their supply chains quickly and respond in the spirit of SPPN5/2020. Now and longer term there is a need for fair treatment of supply chains with fair allocation of risk and reward, genuine partnership working, and larger and smaller organisations each being aware of the opportunities available both to contract directly with the public sector and to collaborate with each other (for example with directories or networks of local suppliers, as well as Scottish Government initiatives).

These objectives are all more likely to be achieved with long-term vision from public sector commissioners, a desire for genuine partnership working, economic stability and clear pipelines of work so investment in technology and skills is encouraged. They also require early engagement with businesses and VCSE organisations of all sizes, to bring in ideas on how community benefits can best be achieved.

The pandemic has also illustrated once again the need for trained and experienced public sector professionals not only to procure goods and services but also to contract manage effectively. Authorities which had invested in these capabilities, and which had spent time and resource building up strong relationships with partners, were able to be more flexible and innovative in responding to the COVID-19 crisis. The need for flexibility and innovation is not now going to reduce. Flexibility to innovate and adapt, particularly at a time of great uncertainty in the economy, where local/national need is difficult to predict in the medium and long term, is crucial.

Specific ways in which delivery can be accelerated in the short and medium term include:

- focusing on projects which will have maximum impact on the desired objectives, and / or which are closest to being 'shovel ready';

- assessing, in consultation with industry, whether any projects could have a shorter bid or mobilisation period. Depending on individual circumstances and the service area concerned, rapid procurement and shorter mobilisation periods could also mean commissioners exploring the complexity of contract management regimes, payment models and reporting requirements. Genuine partnership is needed to respond to an unprecedented crisis with an appropriate balance of risk. Ultimately, this frees up providers to adapt support to meet the needs of service users, and refocus resources to front-line delivery;
- prioritising between the large number of contracts which would have been retendered in 2020 but which have been extended to the end of the year. Releasing them all to the market at once would create a bottleneck in capacity and ability to bid for work; and
- looking at delegating approval authority where possible and reusing existing agreements in order to speed up the procurement process, while bearing in mind the importance of continuing to encourage new suppliers to bid. Adapting or scaling existing provision, based on existing infrastructure, community engagement/partnerships and investment, offers a short/medium term solution to increased need in some service areas. However, considering the unprecedented economic crisis, it is important that government is bold and responds quickly by engaging stakeholders on new commissioning to meet need.

Where frameworks have to be re-let, buyers could make much better use of dynamic purchasing systems instead of fixed frameworks. A DPS can ‘smooth’ the backlog of tenders, because they allow new suppliers to join at any time. DPSs also make contracts accessible to a wider range of organisations.

The backlog on procurement might mean that some contracts need to be let under emergency provision for a good while yet but, as we move out of lockdown, in order to justify the lack of competition, these contracts should be subject to greater levels of scrutiny and transparency to ensure that they are performant and that awards were justified

vii. Focus on activities which are core to the response, including in infrastructure investment

For the foreseeable future, resources and budgets will be severely squeezed. It is therefore more important than ever that these are focused in those areas where returns in meeting recovery objectives will be greatest.

Infrastructure investment will be crucial in general in order to kick-start recovery.

There are several ‘shovel ready’ construction and infrastructure projects which will help provide immediate jobs and income to help kick-start the recovery.

There should be particular focus on investment which will help future-proof communities from a sustainability, resilience and post COVID-19 agile working perspective.

This could include;

- Energy efficiency works
- Lifecycle work in data centres
- Work to support telecoms and digital infrastructure
- Works to increase flexibility e.g. fit out, HVAC modifications, sensors
- Enhancements to BMS to allow more remote monitoring
- Workplace design
- Moves and changes
- Utilising existing infrastructure better
- Connecting population centres and places of work
- Improving short-distance transport links.

The Scottish National Investment Bank is one important mechanism for channeling investment into priority areas. Its missions will need to reflect the changed realities arising from the pandemic.

viii. Embrace innovation vital to the new economy, including deployment of digital

ICT services organisations have been vital in keeping the economy going during the lockdown period. Digital innovation has made great advances as a consequence of COVID-19 and there is now an opportunity to secure and build upon it, especially through investment to ensure its benefits are spread and are available equally to all.

This means adopting a human-centred approach, in which digital is harnessed to support wider goals rather than being seen as an end in itself.

In the recovery phase, ICT can be used:

- as an area of high and ongoing growth;
- as an enabler of economic growth across the board. Government can help businesses to build on those digital transformation projects which have already been accelerated in response to COVID-19 and which will need to continue to do so if businesses are to be future-proofed. Technology services can help to reset business and employee work environments. Examples include remote monitoring, intelligence gathering and communication, workplace sensors and consumer workspace apps;
- to accelerate digital transformation in the ‘back office functions’ in particular, which will help to release more much-needed investment to front-line staff;
- to help ensure regional inequalities are overcome rather than entrenched during the recovery from lockdown, especially in relation to rural Scotland, by enabling business to use the power of big data to overcome local challenges and restrictions, and by extending access to training and other services for those who may long have lacked the means to travel long distances to access them; and
- within government itself, with an acceleration of digital transformation programmes to help to ensure continued and improved access to essential services.

Meanwhile all stakeholders need to work together to improve digital access and education for left behind groups as a matter of urgency. This includes access to mobile data, laptops and smartphones, which can vary significantly. Libraries and local support services being closed exacerbates this.

Government should ensure that investment in digital infrastructure is appropriately prioritised as part of both the inclusive growth agenda and its wider work to get the economy going again.

In relation to innovation in particular, this has been a Scottish Government focus, building on projects such as the CivTech Accelerator programme¹³, and it tasked its Procurement Directorate with ensuring that procurement acts as a catalyst for business innovation¹⁴.

In the response to the pandemic, rapid change will be essential. The challenge will be to enable disciplined and focused innovation which delivers tangible results, along with encouraging scaling and replication of change, balanced with fair and equitable treatment of risk.

In the last few weeks the Scottish Government has worked collaboratively with BSA members who deliver programmes on their behalf to adapt services rapidly so they are delivered digitally. For example, this may involve moving face-to-face employment and skills programmes online, using video chat platforms and social media. Embedding this multi-channel, flexible approach in the longer term, for both existing and future programmes, will be important to support isolated and vulnerable groups, avoiding the risk that inequalities are further entrenched.

¹³ <https://www.gov.scot/news/support-for-innovation-projects-2/>

¹⁴ Innovation Action Plan: <http://www.gov.scot/Resource/0051/00512875.pdf>

ix. Enable the enablers

The pandemic has highlighted the importance of the whole range of support services. Unless services such as cleaning, catering, security and asset maintenance services are available in advance or tandem with organisations restarting across the country, other sectors will be unable to return to work and the economic impact will be prolonged.

Furthermore, the ongoing utilisation of business support and advisory services, with their direct link to productivity growth (outlined earlier) is an essential component of building up local economies.

More generally, and long before COVID-19, the old barriers between the sectors were 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.

x. Make use of all capacity and experience

For the foreseeable future there are likely to be shortages in both capability and capacity, as a result of public sector budgets being diverted into emergency areas, and whole sectors - and the people who depend on them for jobs and livelihoods - being severely and unavoidably hit, despite the best endeavours of policymakers.

That means all stakeholders which retain such capacity and capability drawing together in common endeavour, including larger and smaller businesses and VCSE organisations alike. The convening role of local, devolved and national government will therefore never have been more important.

The role of the private and VCSE sectors will include:

- contributing to jobs and training;
- support, capacity and advice in helping the public sector maximise or reconfigure existing services, provide specialist advice in areas like technology, or help with strategic overview;
- also providing such support, capacity and advice to other private and VCSE organisations in the community, especially those which are smaller. Larger organisations have particular role in helping - and a responsibility towards - SMEs and VCSE organisations who they partner with or who are part of their supply chains. That in turn means public sector organisations need to find ways to maintain realistic support measures to help both; and
- partnering in finance and investment itself.

Collaborative working between the public, private and VCSE sectors has never been more important, as everyone does what they can to achieve genuinely common goals.

The business services industry supports and works in all sectors of the economy. It has deep insights and operating experience that can help inform the planning of the reopening of all sectors in the economy. It has the capacity to support areas and sectors particularly badly hit. It is also expert at scaling and replicating the innovation and change now required. It should be ready to play its part in recovery as it did in lockdown.

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