



The Business Services Association
130 Fleet Street,
London.
EC4A 2BH

BSA Economic Tracker - Q1/Q2 Report

September 2022

Background and Overview

The BSA - Business Services Association - brings together all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. 70 per cent of business services are provided business-to-business and 30 per cent for the public sector.

The sector employs c.3.3 million people across the UK, accounting for around 1 in 10 jobs. BSA members include businesses of all sizes, charities, and social enterprises. A full list of members is included as an Annex.

The BSA Economic Tracker was launched in January 2022 to provide a regular economic overview of the areas impacting the business services sector. The Tracker is refreshed and circulated with BSA members on a monthly basis, with the question-set regularly reviewed in order to best capture the issues affecting the sector.

This report reflects responses gathered through the first six editions of the Tracker running January to June 2022.

Contents

- [Section One: Executive Summary](#)
- [Section Two: Respondent Overview](#)
- [Section Three: Labour supply](#)
- [Section Four: Changing cost of goods and services](#)
- [Section Five: Supply chain disruption](#)
- [Annex 1: List of BSA Members, September 2022](#)

E: bsa@bsa-org.com W: www.bsa-org.com  [@THEBSASSOC](https://twitter.com/THEBSASSOC)

The Business Services Association Limited is registered in England No. 2834529
Registered office as above.



Section One: Executive Summary

The most commonly identified areas impacting BSA members' organisations continue to relate to labour supply. This concerns both recruitment and higher-than-average vacancy levels in organisations themselves as well as in their supply chains. Staff absences linked to Covid-19 however (which were widely reported at the start of the year) have been steadily decreasing as has their impact on businesses' operations.

The changing cost of goods and services is the second most reported issue each month. The impact this is having on members' operations has grown markedly across the six editions, reflecting increased energy prices and wider inflationary pressures. All respondents expect changing costs to continue impacting their operations into the next year.

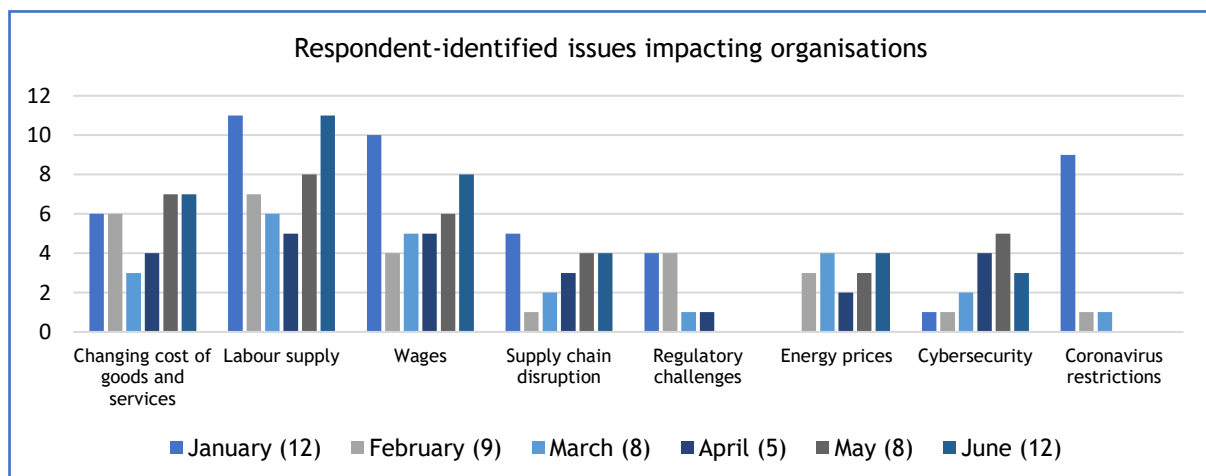
The responses also highlighted the impact of wider supply chain disruption and note that, as with inflation and energy price increases, the full extent of this has yet to be felt (particularly given the long-term implications of the Russian invasion of Ukraine).

Where respondents have raised areas in addition to the suggested list of issues that may be impacting their organisation, these have typically then been identified by other organisations in the following months' Trackers. For example, cyber security was raised as an issue by the same respondent in both January and February. It was subsequently identified by five other organisations as a significant issue. This suggests that the Tracker can be a useful tool in identifying the issues likely to impact the wider sector.

Key points

- **Labour supply** was the most widely reported issue impacting member organisations.
- The **supply chains** of a majority of respondents have been impacted by labour shortages.
- **Labour shortages** in cleaning, business development, hospitality, and digital industries were identified in three or more months in a row.
- **Vacancies** have remained above or significantly above normal levels for a majority of respondents. All respondents' business operations have been impacted by vacancies.
- **External inflationary pressures** continue to affect respondents and are expected to do so well into 2023.

Respondent-identified issues



(Figure 1: Bar chart showing respondent-identified issues)

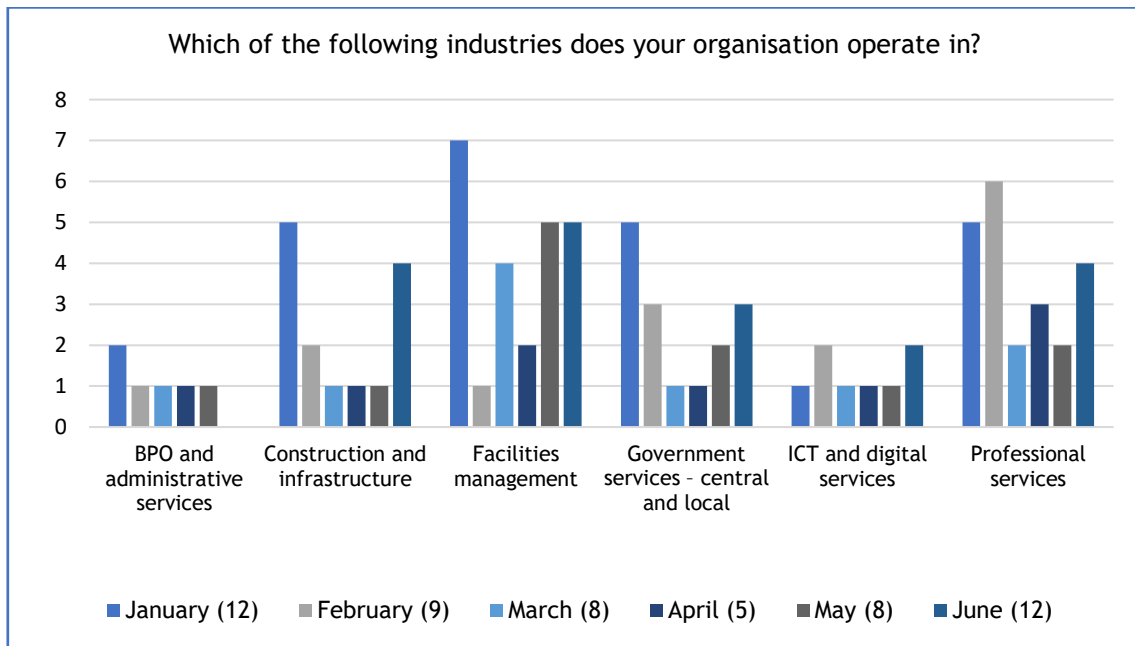


Section Two: Respondent Overview

Key Points

- The five strands which make up the business services sector - ICT and digital services, business process outsourcing (BPO), facilities management (FM), construction and infrastructure services, and managed public services - have been represented every month.
- The majority of respondents operate in facilities management (FM) and/or professional services.
- The majority also operate across multiple industries.
- Typically, larger organisations are more likely to respond.

Industry



(Figure 2: Bar chart showing which industries Tracker respondents operate in)

Organisation size

- The majority of respondents each month employ 250-9,999 employees.
- 1-4 organisations employing between 10,000 and 30,000+ are represented each month.



Section Three: Labour supply

Key Points

- Labour supply was identified as an issue by 100% of respondents in April and May, and all but one in June and January. This was the case for 7/9 in February and 6/8 in March.
- In February, questions on National Insurance contributions and pensions were added. Pensions have not been identified as an issue since and National Insurance contributions only once.

Breakdown as a total of respondents

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected		
	January	February	March	April	May	June
Labour supply	11/12	7/9	6/8	5/5	8/8	11/12
Wages	10/12	4/9	5/8	5/5	6/8	8/12
Pensions	0/12	1/9	1/8	0/5	0/8	0/12
NI contributions	NA	1/9	1/8	0/5	0/8	1/12
Cost of living	NA	NA	NA	NA	1/8	1/12

(Figure 3: Table showing a breakdown of the issues identified relating to labour supply)

Labour shortages by job-type

The following shortages were identified over **three or more months**:

- HR and finance-related jobs (January, February, April, May, June).
- Hospitality, catering, and chefs at all skill levels (January, February, April, May, June). Front of house teams also identified in May.
- Digital, cyber, and IT (February, March, April, May, June).
- Business development and project management (February, March, April, May, June).
- Cleaning operatives (January, March, April, May).
- Security-vetted staff (February, March, April, May).
- General and commercial managers for PFI projects (February, April, May, June).
- Hard and specialist FM (February, April, May, June).

Impact of labour shortages on respondents' supply chains.

- The majority of respondents each month identified labour shortages impacting supply chains to a small or some extent.
- Very few (1 or 0) respondents reported labour shortages having no impact on their supply chain.
- The proportion of respondents reporting a large impact on their supply chain remained between 1 and 2 each month.
- Respondents operating in FM described how the unpredictability of Covid restrictions led to employees finding more stable jobs in sectors not subject to closures.

Retention

- The proportion of respondents finding it difficult to retain current employees has risen starkly from May (3/8) to June (8/12).
- The impact of the cost of living on employees was included for June's edition of the Tracker. The vast majority of respondents (10/12) report their workforce raising the increased cost of living to some or a large extent.

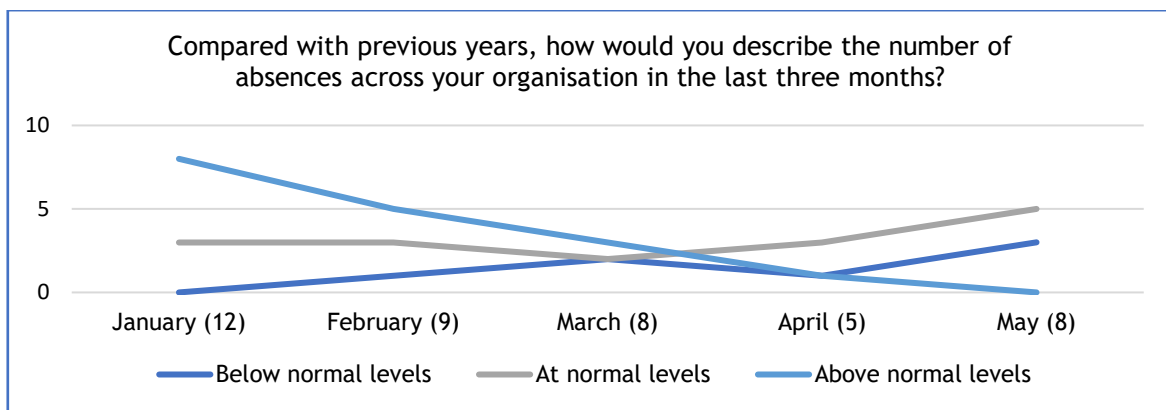


Effect of the war in Ukraine

- In March, we asked 8 respondents to what extent the situation in Ukraine, Russia, or other affected territories was affecting their workforce.
- 3 were either unaffected or affected to a small extent, and 2 were affected to some or a large extent.

Sickness absences

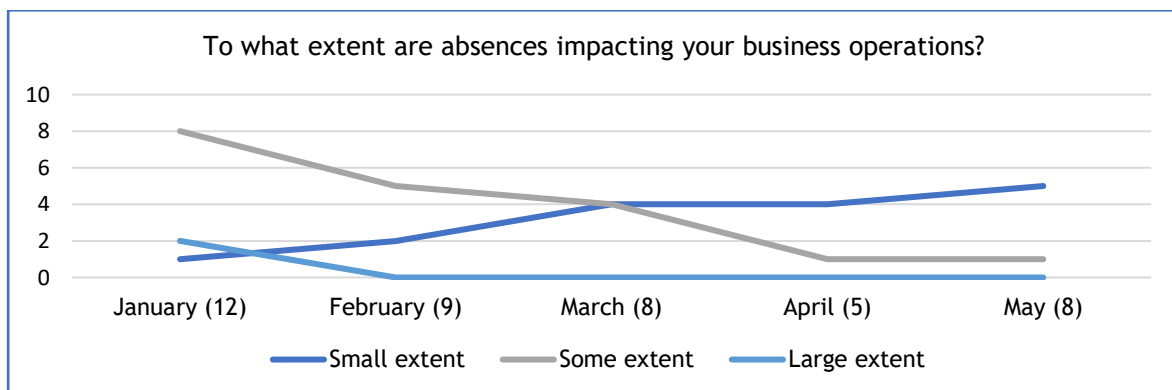
- Respondents reporting sickness absences below normal levels has been increasing. In January, 0/12 respondents reported absences below normal levels, compared to 3/8 in May.
- The number of respondents reporting sickness absences as being at normal levels has been increasing.
- The majority of respondents in January and February reported absences above normal levels (8/12 and 5/9 respectively), whereas the majority of respondents in April and May reported absences at normal levels (3/5 and 5/8).



(Figure 4: Graph showing the number of absences across respondent organisations in the last three months)

Impact of absences

- The impact of staff absences has been reducing. In January and February, absences impacted the majority of respondents' business operations to some (8/12) or a large (2/12) extent.
- In March, respondents found sickness absences to impact operations to at least a small or some extent (4/8 for both), but the majority of respondents' operations in April and May were only slightly impacted (4/5 and 5/8 respectively).

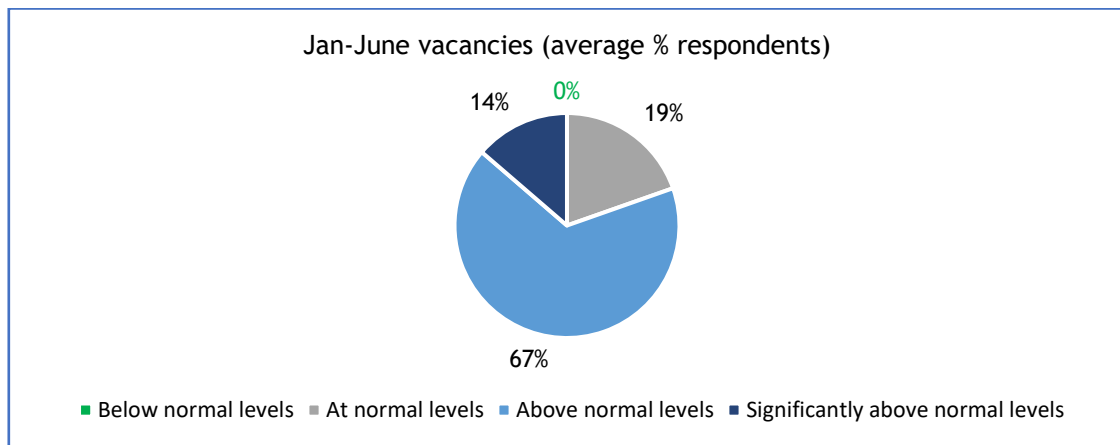


(Figure 5: Graph showing the extent to which absences impacted respondents' business operations)



Vacancies

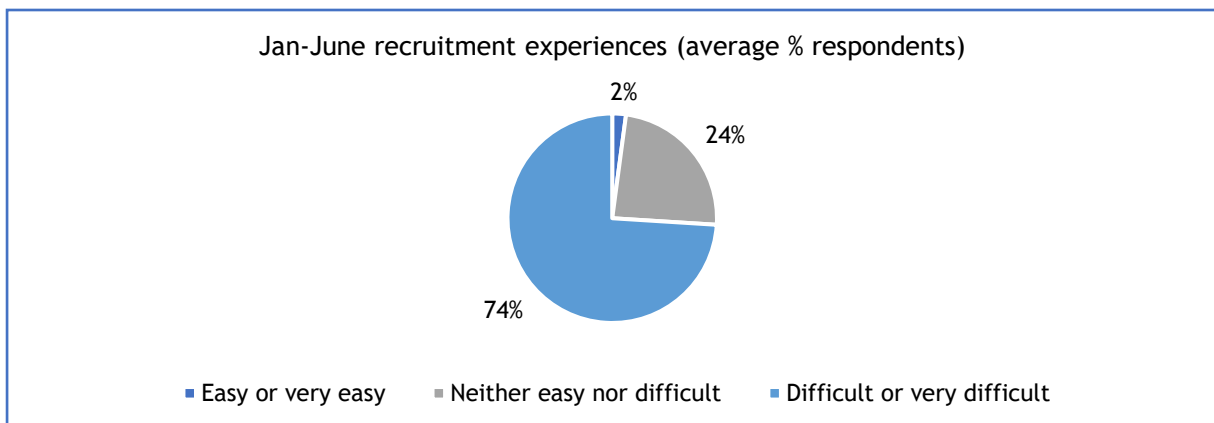
- Respondents reported vacancies above normal levels. The majority of respondents identified vacancies above normal levels, and this has been consistent as a proportion of respondents from the start of the year (8/12 in January, 7/9 in February) to the end of Q2 (3/5 in April, 5/8 in May, 8/12 in June). 0 respondents have ever reported vacancies below normal levels.
- Vacancies have impacted all respondents' business operations, with 100% of respondents having identified vacancies impacting their business operations to at least a small extent each month. 0 respondents reported no impact.



(Figure 6: Pie chart showing an average description of respondents' vacancy levels)

Recruitment

- More than half of respondents every month reported finding it difficult to recruit new employees.
- The number of respondents finding it neither easy nor difficult to recruit employees has stayed around the same from January (2/12) to June (2/12).
- No respondent has ever reported finding it very easy to recruit, and only 1 has reported finding it easy (1/5 in April).



(Figure 7: Pie chart showing an average description of respondents' recruitment experiences)



Section Four: Changing cost of goods and services

Key points

- The **changing cost of goods and services** was identified by respondents every month as a top issue affecting their organisation.
- **Increases** in the cost of goods and services were identified by the majority of respondents every month. The majority of respondents reported expecting costs to increase in the next three months.
- **Business operations** of the majority of respondents were impacted by changing costs. All respondents expected changing costs to impact operations in the next 12 months.
- **Inflation** has been increasingly reported by respondents as an issue impacting the organisation.
- **Particular cost changes** have been most often reported for base materials and IT hardware.
- **Business rates and taxation** have only been identified once each as a top issue.
- **Energy price increases** have been identified by a majority of respondents. The proportion of respondents seeing large increases in energy prices has increased since April. Energy prices impacted all respondents' operations, and the proportion of operations impacted to a large extent has also increased since April.

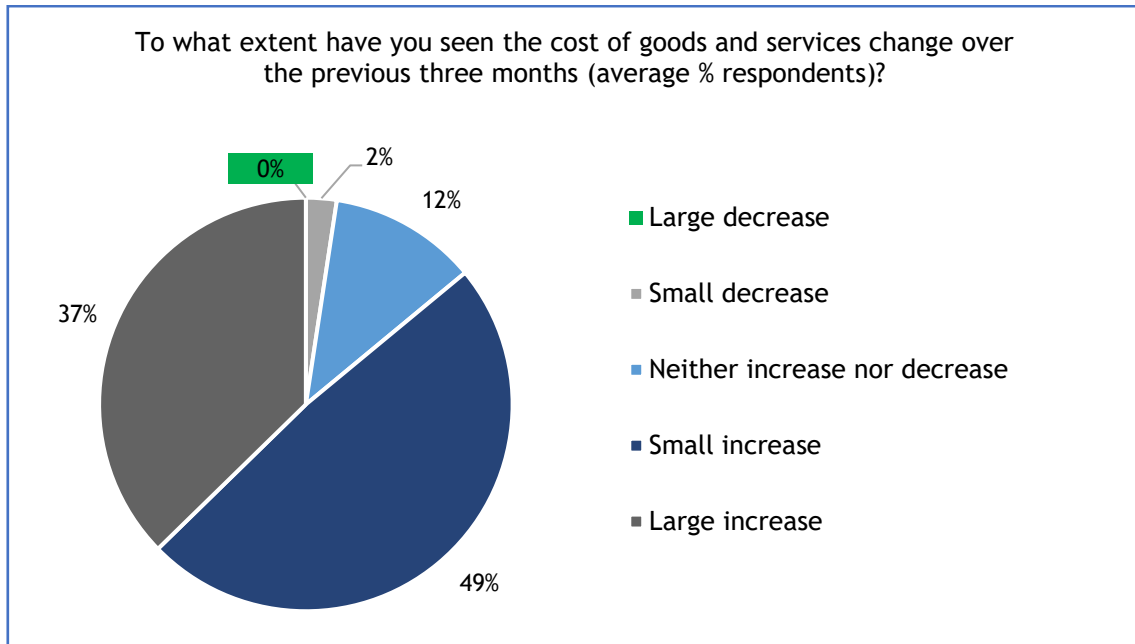
Respondent-identified issues impacting organisations

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected			
		January	February	March	April	May	June
Changing cost of goods and services		5/12	5/9	2/8	2/5	3/8	7/12
Business rates		0/12	1/9	0/8	0/5	0/8	0/12
Taxation		0/12	1/9	0/8	0/5	0/8	0/12
Energy prices		1/12	3/9	4/8	2/5	3/8	4/12
Inflation		1/12	1/9	2/8	2/5	4/8	7/12

(Figure 8: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Changing costs of goods and services

- The great majority of respondents identified either small or large increases in the cost of goods and services since January. 100% of respondents in June identified at least small increases in the previous three months.
- Across the six editions, only one respondent identified decreases in the cost of goods and services (in May).
- A small number of respondents (between 0 and 2) reported seeing neither increases nor decreases in costs each month.
- 100% of respondents since March expected costs to increase at least to a small extent over the next three months.
- Changing costs impacted the business operations of all respondents but one until May. In May and June, 100% of respondents were impacted to at least a small extent. One respondent identified this impact 'across every area' of their business.
- 100% of respondents across size and industry expected changing costs to impact business operations to at least a small extent in the next 12 months.



(Figure 9: Pie chart showing an average description of respondents' recruitment experiences)

Particular goods and services

The following products were identified as changing in cost **three or more times**:

- Base materials including timber, steel, and copper (January, February, March, June).
- IT hardware and expected neon and palladium shortages (February, March, May, June).

Energy

- Energy prices were added to the Tracker in February after a large organisation independently noted it as an issue for their manufacturers in January. The extent of increases in energy and fuel were introduced as questions in April.
- The majority of respondents have reported increases in energy prices to some extent (3/5 in April, 4/8 in May and 7/12 in June). This has been consistent across firm size since February. The proportion of respondents seeing a large increase in energy and fuel prices increased from April (0/5) to May (3/8).
- Energy prices impacted all respondents' operations to at least a small extent. Respondents reported this also affecting their manufacturers.



Section Five: Supply chain disruption

Key points:

- **Supply chain disruption** has been consistently raised by respondents each month.
- **Sourcing goods and services** has been reported as neither easy nor difficult by the majority of respondents each month.
- **The situation in Ukraine, Russia and other affected countries** affected respondents' supply chains. Specific product issues have arisen related to wheat and sunflower oil.

Respondent-identified issues impacting organisations

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected			
		January	February	March	April	May	June
Supply chain disruption		5/12	1/9	2/8	3/5	4/8	4/12
The situation in Ukraine, Russia or other affected countries		NA	NA	2/8	3/5	4/8	5/12

(Figure 10: Table showing a breakdown of the issues identified relating to changing cost of goods and services)

Sourcing goods and services:

- At least half of respondents reported sourcing of goods/services being neither easy nor difficult (8/12 in January, 8/9 in February, 6/8 in March, 4/5 in April, 4/8 in May, 10/12 in June).
- 0 respondents reported finding sourcing goods and services either very easy or very difficult. The number finding it easy or difficult has stayed around 1-2 each month.
- One respondent commented that while sourcing goods was no issue, they have been seeing extended lead times. To mitigate impact, some organisations reported supply agreements and the forward-buying and/or stockpiling of components.

Ukrainian and Russian geopolitics:

- The situation in Ukraine, Russia and other affected countries was added to the Tracker in March.
- Respondents reporting having to alter their supply chain to mitigate issues related to this situation stayed around at 1-3 in March and April, but grew to 6/8 in May and 8/12 in June. The number of respondents having to alter their supply chain to a large extent grew from 0-1 across March, April and May to 3/12 in June.
- Related and specific product issues with wheat and sunflower oil were identified the most.

Regulatory challenges

- At least a third of respondents reported regulatory challenges in January and February. This decreased month-on-month. 0 respondents identified this in May.



Cybersecurity

- Cybersecurity was added as an issue for organisations to select in March after being raised independently by a medium-sized organisation in January and February.
- The number of organisations reporting it increased month-on-month (2/8 in March, 4/5 in April, 5/8 in May) but fell in June (3/12).

Contract terms

- The majority of respondents report that the issues affecting them have been reflected to at least some extent in typical contract terms.
- Issues reflected in typical contract terms have been mitigated by medium-sized firms through fixed-price and/or future contracts not subject to cost inflation.



Annex 1: List of BSA Members, September 2022

3C3 Ltd
3SC
AECOM
Alvarez and Marsal
Amey Plc
Aramark
Atkins
Atos
Baachu
Balfour Beatty Plc
Barclays Corporate
Bellrock
Bevan Brittan LLP
Bouygues E&S UK
Browne Jacobson LLP
BT Group Plc
Business 2 Business
Capita Plc
Catch 22
CBRE Ltd
CGI
CH & Co Group
City FM
Clyde & Co LLP
CMS Cameron McKenna Nabarro Olswang LLP
Community Models
Compass Group Plc
Corndel Ltd
Costain
Deloitte
DWF LLP
DXC Technology
Elior UK Ltd
Eric Wright FM
Fujitsu UK
G3 Systems Ltd
G4S Plc
Glaston Consulting
GoodPeople
Grant Thornton
Hinduja Global Solutions
HP
IBM
Incentive FM
Ingeus
ISS UK Ltd
Jobs22
KBR
Kier Group Plc
KPMG
Mace
Maple Strategy
Maximus UK Ltd
Medallia
Mitie
MTC
NatWest
NCG
OCS Group UK Ltd
P3
Pinsent Masons LLP
Polar Insight
Reed in Partnership
Robertson FM
Salisbury Group
Seetec Group Ltd
Serco Group Plc
Sharpe Pritchard LLP
Sodexo Ltd
Sopra Steria Ltd
Space Solutions
Spend Network
Strictly Education
The Grichan Whitestone
Partnership
The Growth Company
The Palladium Group
The Shaw Trust
The Sustainability Group
Trowers & Hamlins LLP
Turley
Veolia
Vercity
VINCI Facilities
VPS Group
Wand Consulting
Wates Group
Willmott Dixon