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BSA – The Business Services Association

Submission to House of Lords Economic Affairs Committee

September 2022

Introduction

The BSA welcomes the opportunity to contribute to the House of Lords Economic Affairs Committee's inquiry on recent trends in the UK labour market.

The Business Services Association – the BSA - brings together large and small businesses and VCSE organisations delivering services and projects across the private and public sectors. Members include those delivering ICT and digital services, facilities management, back office and administrative services, construction and infrastructure provision and other project delivery. A membership list is included as an Annex.

This is a hugely important sector, employing over three million people across the UK. 70 per cent of business services are provided business-to-business and 30 per cent for the public sector. Ours is a decentralised sector, responsible for at least one in ten jobs across, for example, the North East, North West and South West of England. It has a key role to play in driving growth across the country - including through delivering large scale infrastructure projects, skills training, and workforce development. It is therefore well placed to offer comments and insights on the areas being considered by this inquiry.

The BSA launched an Economic Tracker in January 2022 which provides a regular economic overview of the areas impacting the business services sector. The most commonly identified areas impacting BSA members' organisations have consistently related to labour supply, and details of identified trends for recruitment, retention, staff absences, and industry shortages are outlined in response to the Committee's questions below.

The BSA's Human Resources Committee, comprising of senior HR practitioners and advisers from BSA member companies, has also contributed to this submission.

Overview and Questions Addressed

This contribution has particular relevance to the issues raised by the following questions:

1. What are the recent trends in labour supply?
2. Which sectors and regions are most affected?
3. Which people have been leaving the labour market? What is the socio-economic and demographic breakdown?
4. What factors are contributing to reductions in the size of the labour force?
5. What effect are wage levels having on the supply of labour?

Section 1: What are the recent trends in labour supply?

Recruitment
Since the launch of the first Economic Tracker survey in January, BSA members have reported challenges in recruiting and attracting new employees. Larger organisations with 30,000 or more employees have described a 'war for talent' and note that these challenges are seen both in members' operations as well as in organisations within their supply chains.

Retention
The proportion of BSA members reporting finding it difficult to retain current employees has increased from Spring to Summer 2022. This Summer, large organisations reported that retention levels were reducing as employee turnover increased. Medium-sized organisations have also reported similar concerns around retention.

Vacancies
BSA members have consistently reported vacancy levels above or significantly above normal levels since January, including throughout their supply chains.

In our Economic Tracker, we ask BSA members to describe the impact of labour supply on their operations. All respondents' business operations have been impacted by vacancies to at least a small extent. A small organisation has described how not being able to fill vacancies has increased the organisation's demand on existing staff, and the impact of vacancies on existing staff's wellbeing has been recognised by other organisations across the BSA membership.

Staff absences
Staff absences linked to Covid-19 were widely reported at the start of the year as being above normal levels. These absences have been steadily decreasing.

The accompanying impact on business operations has also been steadily reducing. At the start of the year, absences impacted the majority of respondents' operations to some or a large extent. By Spring, this reduced to mostly small or some extent, and this Summer only slight impacts were reported.

Section 2: Which sectors and regions are most affected?

The BSA Economic Tracker asks BSA members to identify industries or job-types where there are particular shortages.

The following industries and job-types have been frequently identified:

- Business development, including Human Resources and talent acquisition, project management, and finance-related roles.
- Hospitality, including chefs at all skill levels, front-of-house teams, and catering and portering staff.
- Digital industries, including IT and digital skills in combination with soft skills.
- General and commercial managers for PFI projects.
- Hard and specialist facilities management, including waste collection and cleaning operatives
- Drivers.
- Defence engineering.
- Frontline social care staff, particularly in independent living settings.

At a regional level, it is worth emphasising that these pressures are by no means unique to any particular geographic area. That being said, members have repeatedly identified London as having an especially tight labour supply.

Section 3: Which people have been leaving the labour market? What is the socio-economic and demographic breakdown?

The BSA's data collection exercises do not monitor demographic changes and through our discussions with members no specific trends have been identified in departures from the labour market.

Section 4: What factors are contributing to reduction in the size of the labour force?

The BSA Economic Tracker does not explicitly ask respondents to comment on the factors contributing to labour shortages. Some members have, however, offered their own explanations.

At the start of the year, a majority of respondents to the Economic Tracker were experiencing high staff sickness absences related to Covid-19 and the associated legal requirement to self-isolate. BSA members operating in facilities management and hospitality have described how the perceived unpredictability of Covid-19 restrictions led to employees leaving the sector to find more stable jobs in those not subject to closures.

Since the pandemic, many BSA members have entered a new phase of work involving a higher degree of hybrid or remote working. Combined with the impact of inflation on the cost of petrol, diesel, cars, and other travel, respondents have reported that employees able to work from home are less willing to commute for work and are shifting towards industries where hybrid working is more readily available.

Section 5: What effect are wage levels having on the supply of labour?

BSA members have consistently reported that labour shortages have been impacting wage levels and salary expectations as industries compete for labour across the public, private, and third sectors.

Section 6: How do recent changes in the UK's labour supply compare with those in other developed countries?

The BSA represents organisations and their operations based in the UK, and therefore have no findings to present on international comparisons.

Annex 1: BSA Members, September 2022

3C3 Ltd
3SC
AECOM
Alvarez and Marsal
Amey Plc
Aramark
Atkins
Atos
AutogenAI
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
Connections Consulting
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
Kier Group Plc
KPMG
Lumby CMS
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 Network Group
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