



The Business Services Association
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BSA Economic Tracker

Annual Report 2023

February 2024

Background

The Business Services Association (BSA) is a policy and research organisation. We are here to represent all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. A list of current BSA members is included as an Annex along with an overview of the BSA and its work.

Our members are key providers of service and infrastructure projects to the private and public sectors. Members include large and small businesses, charities, and social enterprises. The work of BSA members improves the lives of tens of millions every day across every region of the country; from building and maintaining our roads, energy supply, and digital ecosystem, to feeding school children and keeping our hospitals clean and safe.

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. Each month, the questions were reviewed and, if necessary, updated to reflect both members' feedback and the wider economic landscape.

The Tracker both reflects the importance of BSA members and the business services sector to the UK economy and provides an insight into the key areas affecting the sector. Anonymised monthly reports are passed on to the Department for Business and Trade, HM Treasury, No 10 and other key stakeholders, who have fed back how useful they have found members' responses. Our anonymised summaries have also been shared with the Minister for Industry's office and the Permanent Secretary.

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Section One: Executive Summary

This report of the BSA Economic Tracker reflects responses to those versions of the survey published between January 2023 and December 2023. These were circulated to all BSA members to complete as the question set was reviewed and refreshed each month. A full list of members is included as an Annex.

The report captures the trajectory of the UK economy over 2023 as experienced by BSA members. This includes widespread inflationary pressures, the ongoing impact of Russia's invasion of Ukraine, industrial actions across a range of sectors, and global market instability. BSA members have also provided insights into which job roles proved particularly challenging to fill, issues sourcing particular goods and services, concerns around cyber security and theft of IP, and how these and other pressures were affecting their supply chains.

More than 200 responses were received over the course of the year compared with just under 150 in 2022. The majority of respondents each month employed 250-9,999 employees, whilst between 1 and 6 organisations employing at least 30,000 people were represented each month. On average, 19% of responding organisations across the twelve months were SMEs employing below 250 people.

Challenges relating to labour and skills shortages remained the top reported issue by BSA members in 2023. Shortages were most commonly reported across the following roles: Engineers and Technicians; Finance professionals; Hospitality and catering (particularly skilled chefs); Specialist FM roles; and Security Officers. Whilst reports of difficulty retaining staff decreased over the course of the year, respondents still commented that skills shortages continued to impact their organisations' ability to grow and innovate. The shortages also continued to affect respondents' supply chains.

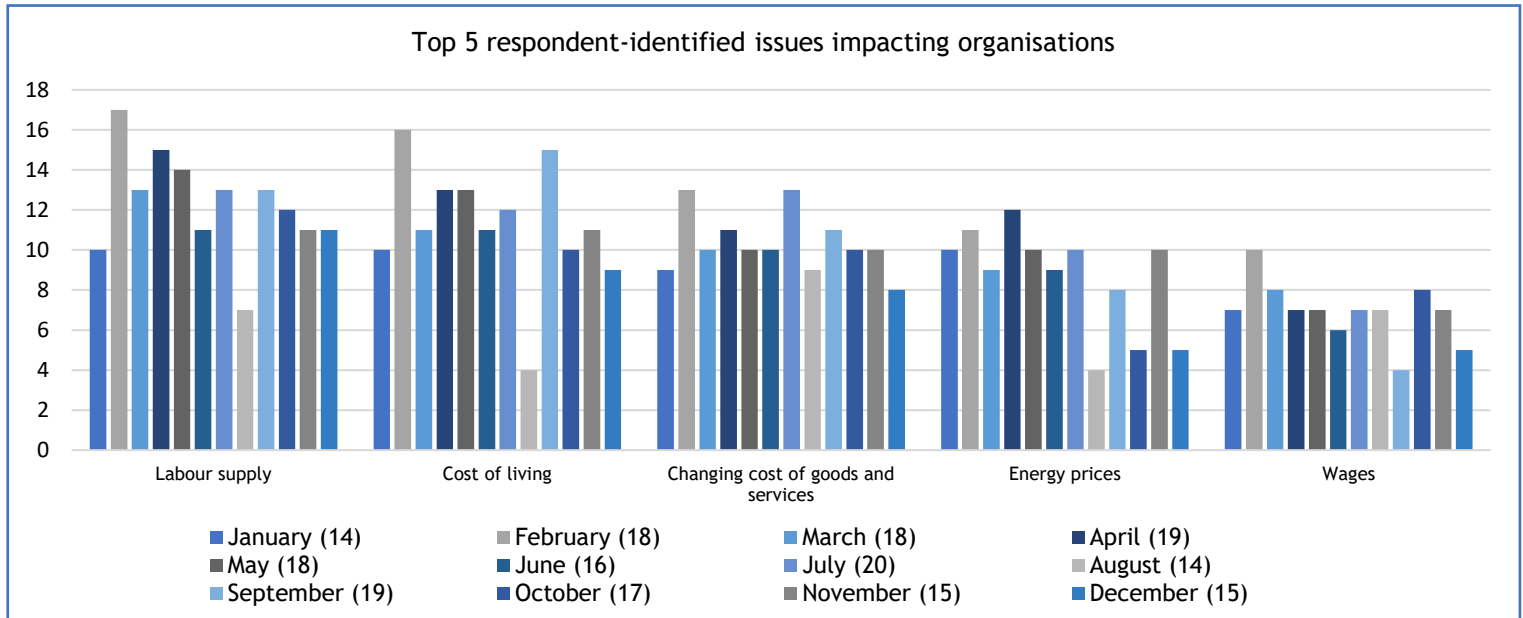
Tackling these shortages remains a policy priority for the BSA in its engagement with central, devolved and local government, as well as with the opposition. Suggestions on how best to approach this and other policy areas highlighted in this report are set out in the BSA's 2023 Manifesto document which can be read online [here](#).

Key points

- Labour supply was the most widely reported issue impacting member organisations.
- It was cited as an issue in 72% of responses throughout the year.
- Apart from December, more than half of respondents every month reported finding it difficult or very difficult to recruit new employees. A theme consistent with the 2022 Economic Tracker data.
- An average of 59% of respondents each month identified the changing costs of goods and services as an issue affecting their organisation.
- Cost changes were most often reported for food, IT hardware, professional services and building materials.
- The impacts of industrial action on BSA members are varied, but those that reported disruption were almost entirely related to railway strike action. This impact was mitigated by organisations able to direct staff to work from home.
- The extent to which organisations are incorporating AI into their business decisions was included as a question in July and will continue to be monitored in 2024.



The most common respondent-identified issues



(Figure 1: Bar chart showing the top five issues reported by businesses)

	0-24% respondents affected			25-49% respondents affected			50-74% respondents affected			75-100% respondents affected		
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Labour supply	10/14	17/18	13/18	15/19	14/18	11/16	13/20	7/14	13/19	12/17	11/15	11/15
Cost of living	10/14	16/18	11/18	13/19	13/18	11/16	12/20	4/14	15/19	10/17	11/15	9/15
Changing cost of goods and services	9/14	13/18	10/18	11/19	10/18	10/16	13/20	9/14	11/19	10/17	10/15	8/15
Energy prices	10/14	11/18	9/18	12/19	10/18	9/16	10/20	4/14	8/19	5/17	10/15	5/15
Wages	7/14	10/18	8/18	7/19	7/18	6/16	7/20	7/14	4/19	8/17	7/15	5/15

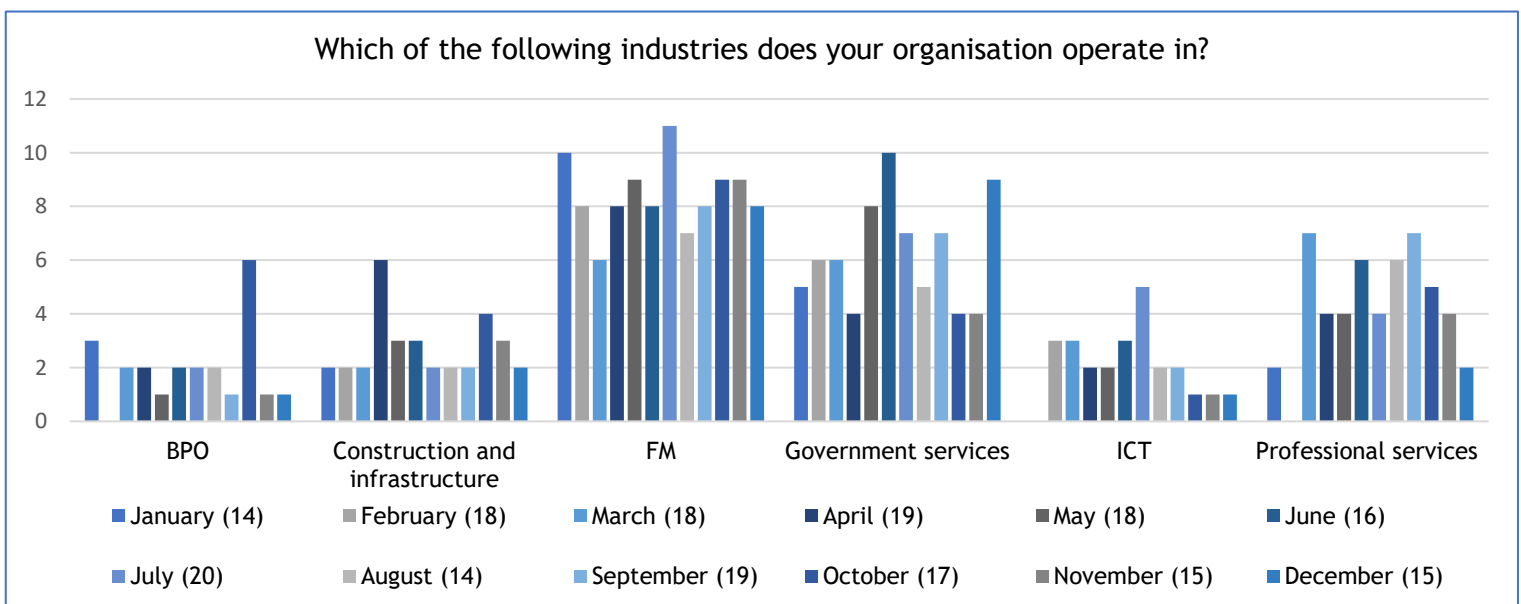
(Figure 2: Table showing a breakdown of the issues identified)



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 in every month except one.
- The majority of respondents operate across FM, government services, and professional services. The majority also operate across multiple industries.
- Typically, larger organisations were more likely to respond.

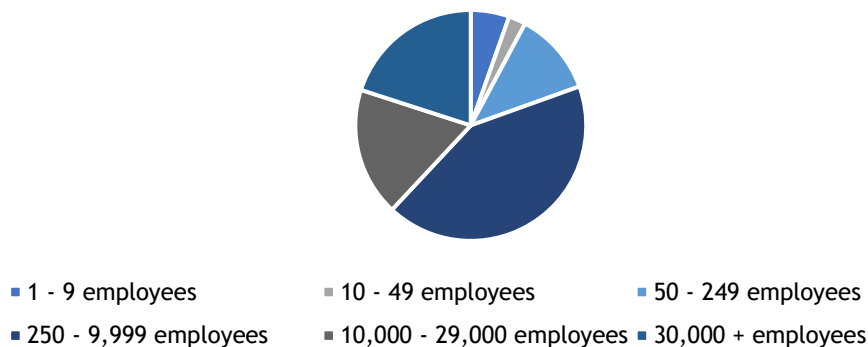


(Figure 3: Bar chart showing which industries Tracker respondents operate in)

Organisation size

- The majority of respondents each month employ 250-9,999 employees. 1-6 organisations employing at least 30,000 people have been represented each month.

Jan-Dec organisation sizes (average % respondents)



(Figure 4: Pie chart showing the average sizes of Tracker respondent firms)



Section Three: Labour supply

Key Points

- Labour supply was identified by a significant majority of respondents with an average of 72% of respondents identifying the issue each month.
- Labour and skills shortages were most commonly reported across the following roles: Engineers and Technicians; Finance professionals; Hospitality and catering (particularly skilled chefs); Specialist FM roles; and Security Officers.
- Labour shortages impacted the business operations of the large majority of respondents.
- The cost of living is one of the most frequently reported issues for respondents and the majority of their workforces have been raising the issue with them each month.
- Vacancies were reported by the majority of respondents as above normal levels and respondents consistently reported that they found it difficult to recruit.
- Challenges with retaining existing staff have, however, reduced with the majority reporting retaining staff as neither easy nor difficult throughout the year.

Breakdown as a total of respondents

	0-24% respondents affected				25-49% respondents affected				50-74% respondents affected				75-100% respondents affected			
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec				
Labour supply	10/14	17/18	13/18	15/19	14/18	11/16	13/20	7/14	13/19	12/17	11/15	11/15				
Cost of living	10/14	16/18	11/18	13/19	13/18	11/16	12/20	4/14	15/19	10/17	11/15	9/15				
Wages	7/14	10/18	8/18	7/19	7/18	6/16	7/20	7/14	4/19	8/17	7/15	5/15				
Industrial Action	7/14	3/18	4/18	7/19	3/18	3/16	5/20	4/14	3/19	3/17	5/15	2/15				
Pensions	0/14	3/18	2/18	0/19	0/18	1/16	1/20	0/14	0/19	0/17	0/15	0/15				

(Figure 5: Table showing a breakdown of the issues identified relating to labour supply)

Cost of living

- The cost of living was one of the most frequently reported issues (an average of 67% of respondents each month, however a slight decrease from an average of 72% from June to December 2022).
- Each month, an average of 80% of respondents reported the cost of living being raised by their workforce to 'some' or to a 'large extent'.
- The proportion of respondents' workforces raising the issue to a 'large extent' rose between January and May before falling in the second half of the year, and the proportion raising the issue to a 'small extent' has increased in Q3 and Q4.
- The number of respondents each month expecting the cost of living to continue affecting their organisations into 2024 fell from 6 and 7 in January and February to between 2 and 4 since, with the exception of 6 respondents in September.
- Organisations of all sizes described impacts on their employees and supply chains. Several respondents linked the cost of living to inflation rates, and therefore reported expecting pressures to ease as/if inflation levels continue to fall.
- One organisation commented that although the cost of living has been expressed by employees they are not experiencing staff turnover as a direct consequence.



Labour shortages by job-type

The following shortages were identified over **six or more months in 2023**:

- Finance professionals (every month except December)
- Hospitality and catering, particularly skilled chefs (every month except May)
- Engineering, particularly environmental engineering (every month except January and May)
- Technicians (every month except March and April)
- Specialist FM (every month except November and December)
- Security Officers (9/12 months)
- Administrators (8/12 months)
- Cleaning (8/12 months)
- Digital and cyber (7/12 months)
- IT (7/12 months)

Impact of labour shortages on respondents' supply chains

- We asked respondents how labour shortages impacted the organisations in their supply chains and the majority of respondents each month said that it was impacting them to a small or to some extent.
- The proportion of respondents reporting a large impact on their supply chain in the last quarter of 2023 was 2 compared to an average of 4 in the last quarter of 2022.

Retention

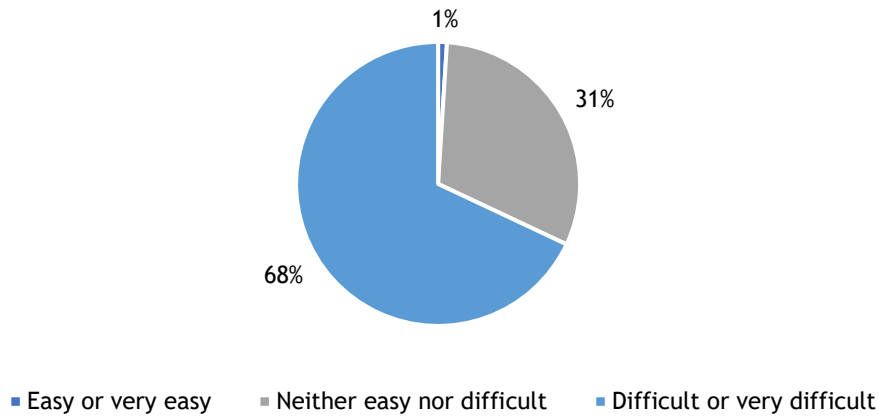
- The proportion of respondents finding it difficult or very difficult to retain employees was lower in Q3 and Q4 compared to Q1 and Q2.
- The proportion of respondents finding it neither easy nor difficult to retain employees has increased to an average of 30% in Q3 and Q4 compared to 27% in Q1 and Q2.
- Large organisations described retention challenges related to cost of living and wage inflation.

Recruitment

- Apart from December, more than half of respondents every month reported finding it difficult or very difficult to recruit new employees. A theme consistent with the the 2022 Economic Tracker data.
- No respondent in 2023 reported finding it very easy to recruit, and only 2 reported finding it easy (1/14 in January and 1/19 in September).
- One respondent highlighted the impact the EU exit has had on recruitment. They went on to say there are specific impacts of the EU exit on recruitment and retention of European staff and that UK recruitment is much more challenging as a result.



Jan-Dec recruitment experiences (average % respondents)

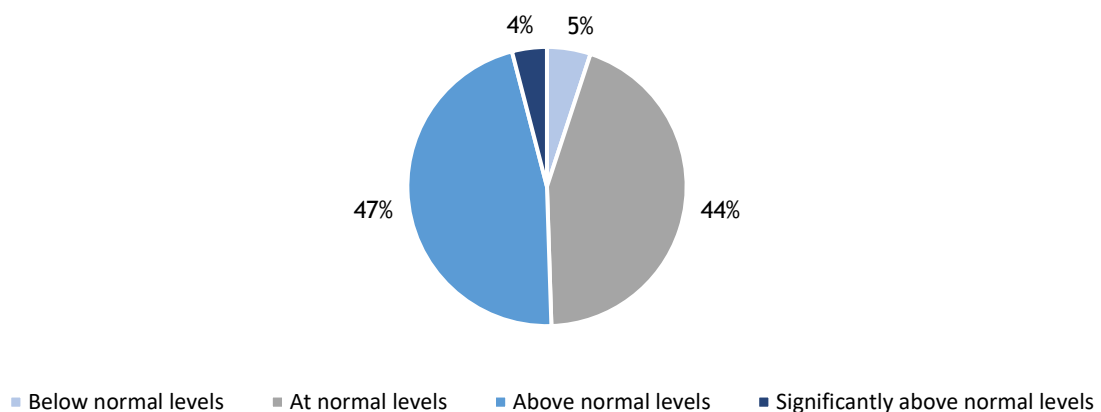


(Figure 6: Pie chart showing an average description of respondents' recruitment experiences)

Vacancies

- Throughout 2023, respondents mostly reported vacancies above normal levels. This changed over time: around 52% of respondents reported above-average vacancies in the first half of the year, but this fell to 38% in the second half of the year.
- However, the average number of respondents reporting vacancies at normal levels increased from 6 in the first half of 2023, to 9 in the second half of 2023.
- The proportion of respondents reporting vacancies below normal levels has decreased since July. Only 3 businesses from August to December reported that their vacancies were below normal levels.
- Labour shortages impacted the business operations of all respondents, with the majority describing impacts to some extent (55%). The number of respondents reporting large impacts from vacancies has remained between 0 and 3 each month, the same as 2022.

Jan-Dec vacancies (average % respondents)



(Figure 7: Pie chart showing an average description of respondents' vacancy levels)



Section Four: Changing cost of goods and services

Key points

- The changing cost of goods and services was identified every month as a top issue affecting respondents' organisations.
- Cost changes were most often reported for Food (every month), IT hardware (11/12 months), Professional services (10/12 months), Building materials (7/12 months), and Fleet (7/12 months).
- Energy prices were raised by a majority of respondents in the first half of the year as an issue affecting their organisations, and the impact of energy price increases on organisations' operations also increased in severity from Q1 to Q2. This did, however, reduce slightly in Q3 and Q4.
- Business operations of the majority of respondents were impacted by changing costs, however the severity of this impact decreased in Q3 and Q4.
- Impacts included uncertainty and inflexibility in margins, productivity and revenue.

Respondent-identified issues impacting organisations

	0-24% respondents affected			25-49% respondents affected			50-74% respondents affected			75-100% respondents affected		
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Changing cost of goods and services	9/14	13/18	10/18	11/19	10/18	10/16	13/20	9/14	11/19	10/17	10/15	8/15
Energy prices	10/14	11/18	9/18	12/19	10/18	9/16	10/20	4/14	8/19	5/17	10/15	5/15
Business rates	0/14	2/18	0/18	0/19	1/18	1/16	4/20	0/14	0/19	1/17	0/15	1/15
Taxation	0/14	1/18	2/18	0/19	0/18	0/16	1/20	0/14	1/19	0/17	0/15	1/15
Inflation	0/14	1/18	0/18	1/19	0/18	0/16	0/20	0/14	0/19	1/17	0/15	0/15

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

Particular goods and services

The following products were identified as particularly changing in cost over **three or more months**:

- Food products (12/12 months)
- IT hardware (11/12 months)
- Professional services rates (10/12 months)
- Building materials (7/12 months)
- Fleet (7/12 months)
- Software (5/12 months)

Energy

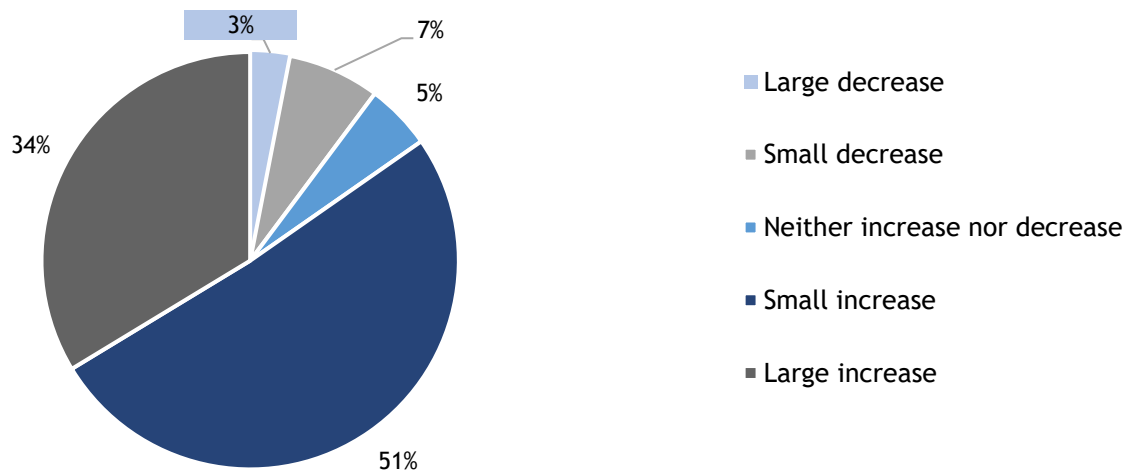
- The majority of respondents reported that energy and fuel prices were impacting their organisation to either a small extent (44%) or to some extent (39%). This has significantly eased from last year's report where 100% of respondents reported energy prices were impacting their business to at least a small extent from April to December 2022.
- The number of respondents reporting that energy costs were having an impact to a large extent reduced in Q3 and Q4, highlighting a slight easing in pressure on businesses.
- Respondents commented that energy costs remain a concern to their business and that, despite easing from last year, disruption has remained.



Changing costs of goods and services

- The majority of respondents (an average of 59% of respondents each month) identified the changing costs of goods and services as an issue affecting their organisation.
- 62% of respondents identified this issue in Q1 and Q2 compared to 59% in Q2 and Q3.
- The number of respondents seeing a large increase in the cost of goods and services reduced in Q3 and Q4 to 41% from 59% in Q1 and Q2. The number of businesses that identified decreases in the cost of goods and services remained proportionate throughout the year. A small number of respondents (between 1 and 3) reported seeing neither increases nor decreases in costs each month.
- On average, 83% of respondents each month reported increased costs to at least a small extent.
- 92% of respondents across size and industry expected changing costs to impact business operations to at least a small extent in 2023. The proportion of respondents expecting to be impacted to a small extent has fallen in Q2 and Q3, while the proportion expecting to be impacted to some extent has risen. The proportion expecting to be impacted to a large extent also fell in Q2 and Q3.
- Respondents, particularly medium-sized and small organisations, described associated disruption to their margins and budgeting, as well as reduced flexibility and certainty about the businesses' productivity and revenues.
- Several members highlighted concerns about the wider economic situation and stressed the criticality of controlling inflation.

How is your organisation seeing the cost of goods, services or raw materials change? (average % respondents)



(Figure 9: Pie chart showing an average description of cost changes)



Section Five: Operational disruption

Key points:

- Supply chain disruption has been raised by a consistent proportion of respondents each month.
- Sourcing goods and services was reported as neither easy nor difficult by the majority of respondents each month. This trend remains consistent with the 2022 report.
- Regulatory challenges are being reported more frequently by respondents. However, cybersecurity challenges have reduced in Q4 to an average of 17% compared to 38% in Q3.
- Industrial action was raised by 55% of respondents in Q1 and Q2, but this fell to 45% in the second half of the year.
- EU exit continues to be raised by respondents each month (with the exception of August), and challenges continued to relate to foreign investment, administrative burdens, and labour supply.
- A small number of respondents continue to report the war in Ukraine as an issue affecting their organisations, however this reduced in Q3 and Q4.
- The most commonly reported product issues included food, IT equipment, and building materials.
- The majority of respondents reported seeing issues reflected in contract terms to some extent.

Respondent-identified issues impacting organisations

	0-24% respondents affected			25-49% respondents affected			50-74% respondents affected			75-100% respondents affected		
	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Supply chain disruption	5/14	7/18	5/18	8/19	5/18	3/16	7/20	4/14	4/19	5/17	2/15	4/15
Cybersecurity	1/14	3/18	5/18	7/19	5/18	7/16	9/20	6/14	5/19	2/17	2/15	4/15
Industrial action	7/14	3/18	4/18	7/19	3/18	3/16	5/20	4/14	3/19	3/17	5/15	2/15
Regulatory challenges	1/14	1/18	4/18	3/19	3/18	4/16	3/20	4/14	7/19	4/17	4/15	5/15
EU exit	1/14	3/18	4/18	7/19	4/18	2/16	2/20	0/14	3/19	4/17	2/15	3/15
War in Ukraine	4/14	4/18	1/18	3/19	3/18	2/16	1/20	2/14	3/19	1/17	2/15	3/15

(Figure 10: Table showing a breakdown of the issues identified relating to operational disruption)

Sourcing goods and services:

- The large majority of respondents reported sourcing of goods and services being neither easy nor difficult each month in 2023 (64% on average across the year).
- The proportion of respondents describing sourcing goods and services as difficult decreased to 15% in the second half of the year (July to December) from 28% of respondents between January and June.
- No respondents reported finding sourcing goods and services very easy and only 1 reported sourcing to be very difficult. The number of respondents finding sourcing easy remained between 0 and 2 throughout the year.
- Organisations that described supply challenges abating linked this to building diverse and resilient supply chains.



How easy or difficult are you finding it to source the goods, services or raw materials your business purchases? (average % respondents)



(Figure 11: Pie chart showing average description of respondents' supply chain experiences)

Impact of the war in Ukraine:

- The proportion of respondents reporting the war in Ukraine as an issue affecting their organisations remained between 1 and 4 each month (14% of respondents on average each month).

Regulatory challenges and EU exit

- Respondents are increasingly reporting regulatory challenges. Only 1 respondent raised this issue in January and February, and this has risen to 3 or 4 respondents each month since, with the exception of 7 respondents in September and 5 respondents in December.
- An average of 21% of respondents reported regulatory challenges as an issue each month.
- Challenges related to EU exit have been reported by between 1 and 4 respondents each month this year, with the exception of 7/19 respondents in April.
- Respondents described the same challenges in 2023 as they did in 2022; obtaining European credit insurance against UK companies and VAT issues with associated higher upfront costs; cessation of EU-funded contracts; administrative burdens and management resource; and impacts on recruitment and retention of European staff resulting in UK recruitment to be a challenge.

Cybersecurity

- Challenges related to cybersecurity have fluctuated throughout 2023. Q2 and Q3 saw an average of 37%, however Q1 and Q4 reported an average of 18%.
- In relation to cybersecurity, respondents described concerns about their organisations' data and intellectual property, as well as their financial and reputational risk.

Industrial action

- Industrial action was reported as a key issue affecting organisations by an average of 24% of respondents throughout 2023.
- The number of businesses reporting industrial action as an issue remained between 2 and 5 throughout the year with a peak of 7/14 in January and 7/19 in April.
- The impacts of industrial action on BSA members are varied, but those that reported disruption were almost entirely related to railway strike action. This impact was mitigated by organisations able to direct staff to work from home.
- Members also reported the impact industrial action had on their organisation's ability to work nationally.



Contract terms

- The majority of respondents reported that the issues affecting them have been reflected to at least some extent in typical contract terms (45% across the year). 30% of respondents reported to a small extent.
- Medium-sized organisations in particular described challenges related to price increases in contracts due for renewal and securing indexation clauses in contracts. The reported result of this limited protection in contracts was scaled-back activity in order to stay within budget.
- Members also described challenges related to central and local government funding constraints as well as public sector spending reviews which impact on trading and employment.

AI

- A question related to AI was introduced in July as more BSA members began to incorporate it into their business strategies.
- From the data collected in the period of July-December, 34% of businesses reported AI had been factored into their business strategy to some extent. 32% reported to a small extent. 14% to a large extent. Therefore, the majority of businesses reported AI had been factored into their business strategy to at least a small extent (80%).
- The number of respondents reporting to a large extent peaked at 5/20 in July and remained between 1 and 2 in the remaining months with the exception of October (4/17).



Annex 1 - List of BSA Members, February 2024

3C3 Ltd	IBM
4Merit	Ingeus
AECOM	ISS UK
Amey Plc	Jobs22
Ankura	Kier Group Plc
Aramark	KPMG
Arcadis LLP	Lumby CMS
Arcus FM	Mace
AtkinsRéalis	Maximus UK Ltd
Atlas FM	Mazars
Atos	Medallia
AutogenAI	Mitie
Baachu	MTC
Balfour Beatty Plc	NatWest
Barclays Corporate	NCG
Bellrock	Netcompany UK Ltd
Bevan Brittan LLP	P3
Birkin Group	Pinsent Masons LLP
Browne Jacobson LLP	Public Digital
BT Group Plc	Reed in Partnership
Business 2 Business	Robertson FM
Capita Plc	Salisbury Group
Catch 22	Seetec Group Ltd
CGI	Serco Group Plc
CH & Co Group	Sharpe Pritchard LLP
City FM	Sodexo Ltd
Clyde & Co LLP	Sopra Steria Ltd
CMS Cameron McKenna Nabarro Olswang LLP	Space Solutions
Compass Group Plc	Spend Network
Connections Consulting	Strictly Education
Corndel Ltd	The Grichan Whitestone Partnership
Costain	The Growth Company
Deloitte	The Network Group
DWF LLP	The Palladium Group
DXC Technology	The Shaw Trust
Elior UK Ltd	The Sustainability Group
Equans	Turley
Eric Wright FM	Twin UK
Form1 Partners	Veolia
Fujitsu UK	Vercity
G3 Systems Ltd	VINCI Facilities
G4S Plc	VPS Group
Glaston Consulting	Wand Consulting
Global Secure Accreditation	Wates Group
GoodPeople	WSP
HP	



Annex 2 - Business Services Association

Who We Are:

The Business Services Association (BSA) is a policy and research organisation. We are here to represent all those who are interested in delivering efficient, flexible, and cost-effective service and infrastructure projects across the private and public sectors. We are based in the United Kingdom and hold meetings and events throughout the country.

Our members are key providers of service and infrastructure projects to the private and public sectors. Members include large and small businesses, charities, and social enterprises. The work of BSA members improves the lives of tens of millions every day across every region of the country; from building and maintaining our roads, energy supply, and digital ecosystem, to feeding school children and keeping our hospitals clean and safe.

What We Do:

We provide a forum for service providers to come together to discuss issues of common interest. We also have a wide-ranging policy programme which can be broken down into three interconnected core themes: inform, advocate, and engage.

How We Do It:

Inform

We ensure that our members are kept up to date with government policy and wider market trends, whilst also keeping government informed on the issues affecting the sector. This includes producing daily, weekly, and monthly political and media monitoring reports for members; conducting our monthly Economic Tracker survey and sharing the insights with relevant stakeholders across central, devolved, and local government; and arranging briefing sessions and meetings with officials on pertinent policy areas.

Advocate

We champion the good work the sector does by collating case studies and producing reports that highlight the sector's contributions to the UK economy. It also involves working collaboratively and constructively with policy makers on key policy areas for the sector such as procurement reform.

Engage

We arrange regular engagement opportunities to promote positive relationships between the sector and key stakeholders. This ranges from holding roundtables with government ministers and prominent members of the opposition, to arranging large summits that bring together over 100 members and stakeholders to discuss a specific theme. Recent examples include summits on Digital Skills and the transition to Net Zero.

Why We Do It:

Our sector lies at the very heart of the UK economy. Service and infrastructure providers are key innovators and growth facilitators, spearheading our transition to a green and digital economy, and operating throughout both the public and private sectors. The sector also invests in providing high quality administrative services, facilities management, infrastructure, and IT so other businesses can do what they do best.

It is therefore crucial that the sector's voice is heard and its good work recognised.