



The Business Services Association
130 Fleet Street,
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BSA Economic Tracker

Q1 Report 2024

Background and Overview

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 are 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.

The BSA uses these findings to inform its policy and engagement strategy and provides insightful data to government departments outlining the economic conditions faced by members. This allows the BSA to advocate effectively for its members, contribute to policy-making processes, and support the business services sector. For example, the increased focus on cybersecurity challenges identified by members has led to a series of productive meetings with Ministers and officials across Cabinet Office and the Department for Science, Innovation and Technology on bolstering the sector's cyber resilience. 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](#).

The feedback collated through the monthly Economic Tracker surveys also supported the BSA's recent report *The Business Services Sector in the United Kingdom*. This report, commissioned by the Department for Business and Trade, provides an overview of the key characteristics of the business services sector, its contributions to the UK economy, and the challenges and opportunities facing the sector. You can read the full report [here](#).

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Contents

Background and Overview.....	1
Section One: Executive Summary	3
Section Two: Respondent Overview	5
Section Three: Labour supply.....	6
Section Four: Changing cost of goods and services.....	9
Section Five: Operational Disruption	11
Annex 1 - List of BSA Members, May 2024	14
Annex 2 - Overview of the BSA	15



Section One: Executive Summary

Key points

- Labour supply remains the most widely reported issue affecting organisations.
- Particular shortages were noted for skilled technical, engineering, hospitality and FM roles.
- The cost of living was also a top issue, and most workforces raised this issue with their employers.
- The changing cost of goods and services remains a top issue with the majority of respondents reporting cost increases in Q1.
- Increases were particularly stark for food, energy, IT software and hardware, and raw materials.
- The majority of respondents are factoring AI into their short-to-medium term business strategy.
- Cybersecurity continues to be reported as a concern, as are regulatory challenges.

This report of the BSA Economic Tracker reflects responses to those versions of the survey published between January 2024 and March 2024 (Q1). Responses were collated between 15th January 2024 and 10th April 2024. These were circulated to all BSA members to complete as the question set was reviewed and refreshed each month.

75 responses were received across Q1, compared with 47 responses in the previous quarter (Q4 2023). The majority of respondents each month employ 250-9,999 employees. Between two and seven organisations employing over 10,000 people have been represented each month.

As shown in Figures 1 and 2 below, challenges relating to labour supply remained the top reported issue by BSA members in Q1 with an average of 79% of respondents identifying the issue each month. This has been the case for every collated Tracker report that the BSA has published since its inception in January 2022. Labour and skills shortages were most commonly reported across skilled technical, engineering, hospitality, and FM roles. Labour shortages impacted the business operations of all but seven respondents across Q1. Most respondents' supply chains were impacted, although the severity of this impact has reduced when compared with Q4 2023.¹

Vacancies were reported by over half of respondents throughout Q1 as being at normal levels. The majority of respondents, however, consistently reported that they found it difficult to recruit in Q1. Retaining existing staff was typically reported as being neither easy nor difficult for respondents in this period.

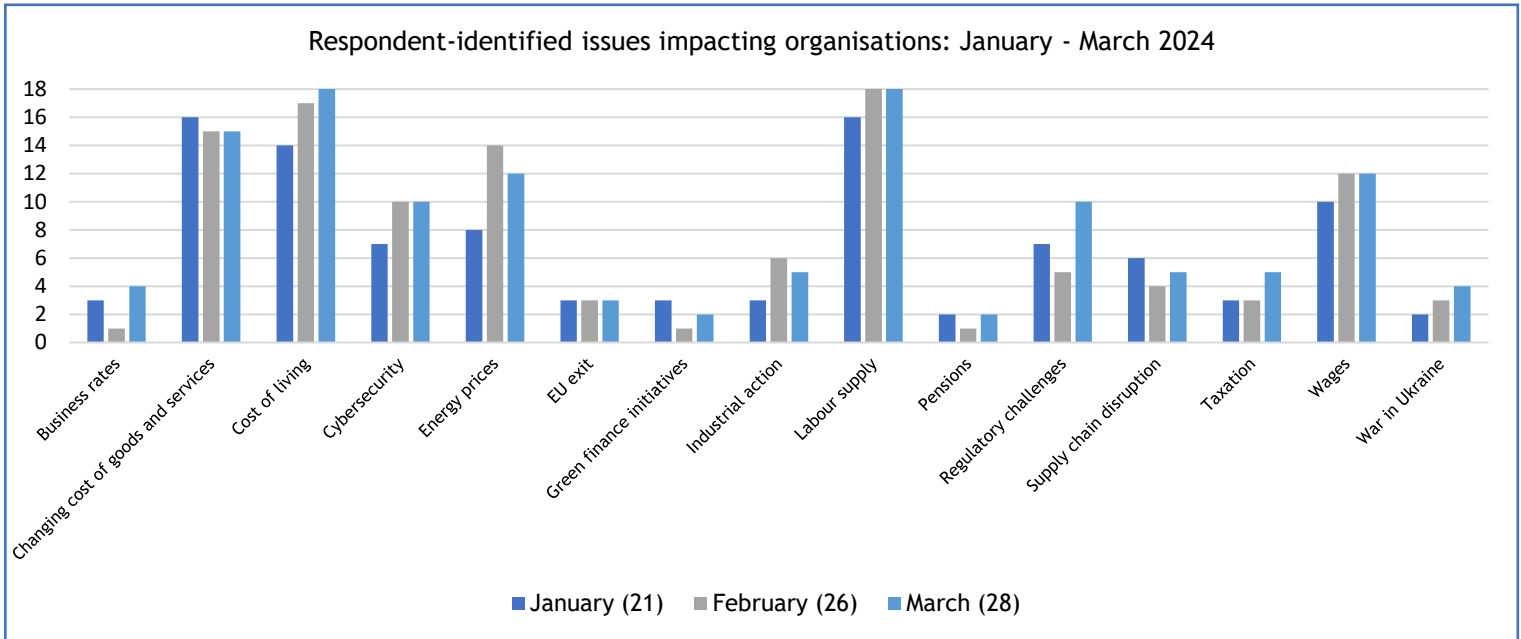
The cost of living was again the second most frequently reported issue by members. All of respondents' workforces raised this issue with employers each month to at least a 'small extent' with an average of 51% reporting 'to some extent'.

The changing cost of goods and services was the third most commonly identified challenge across this period at an average of 61% across the three months. The majority of respondents each month reported that their organisations were experiencing increases in costs. An average of 78% of respondents reported a 'small increase' or a 'large increase' to costs. Cost changes were most often reported for food, energy, IT software and hardware and raw materials.

¹ Business Services Association, 2024. BSA Economic Tracker 2023 Report. Online: <https://www.bsa-orq.com/wp-content/uploads/2024/02/Economic-Tracker-Annual-Report-2023.pdf>



Respondent-identified issues



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

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected
		January	February	March
Business rates		3/21	1/26	4/28
Changing cost of goods and services		16/21	15/26	15/28
Cost of living		14/21	17/26	22/28
Cybersecurity		7/21	10/26	10/28
Energy prices		8/21	14/26	12/28
EU exit		3/21	3/26	3/28
Green finance initiatives		3/21	1/26	2/28
Industrial action		3/21	6/26	5/28
Labour supply		16/21	20/26	23/28
Pensions		2/21	1/26	2/28
Regulatory challenges		7/21	5/26	10/28
Supply chain disruption		6/21	4/26	5/28
Taxation		3/21	3/26	5/28
Wages		10/21	12/26	12/28
War in Ukraine		2/21	3/26	4/28

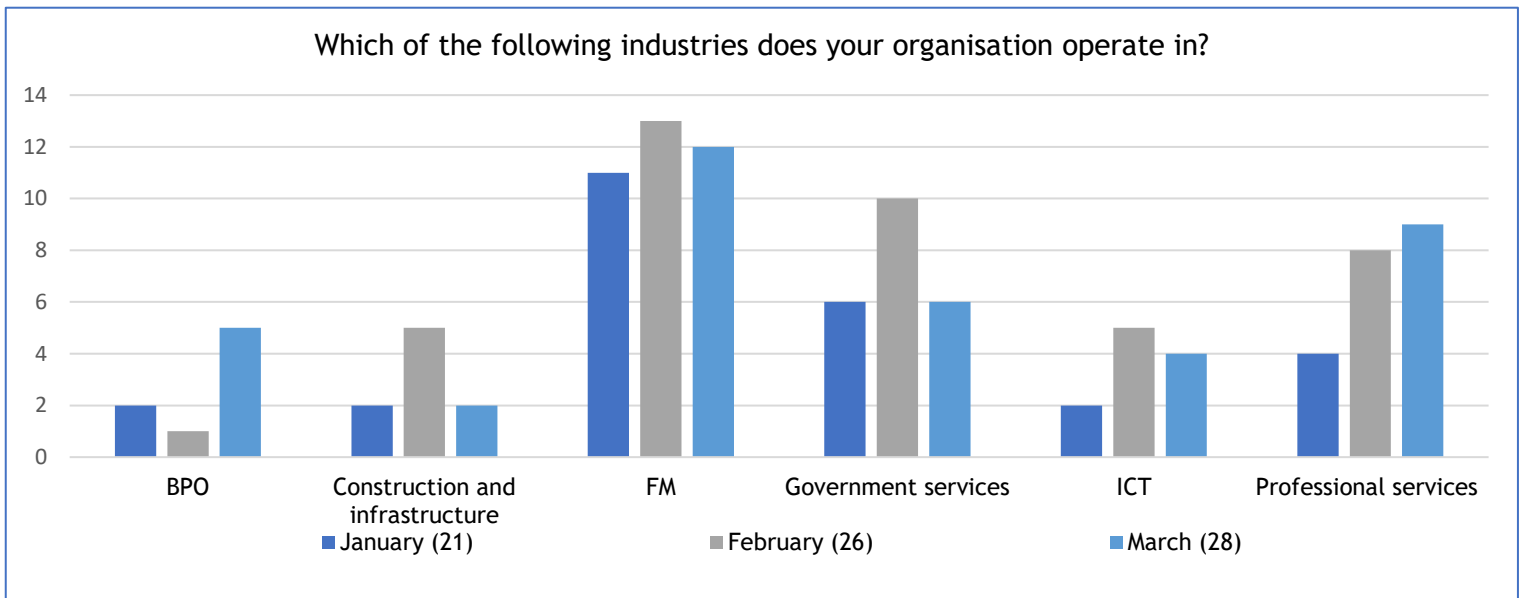
(Figure 2: Table showing a breakdown of the issues identified by number of respondents)



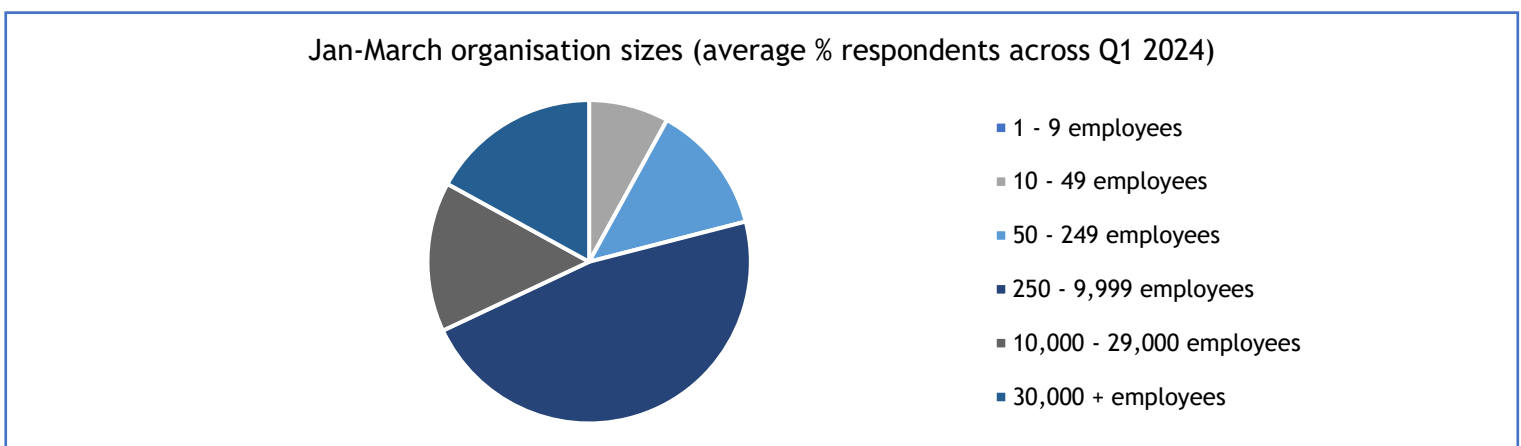
Section Two: Respondent Overview

Key Points

- The six core industries which make up the business services sector - ICT and digital services, business process outsourcing (BPO), facilities management (FM), construction and infrastructure services, professional services, and managed public services - have all been represented every month in Q1.
- The majority of respondents operate across FM, managed public services, and professional services. The majority also operates across multiple industries.
- The responses to the Tracker include a range of organisation sizes from SMEs to large organisations employing over 30,000 people in the UK.
- The majority of respondents each month employ 250-9,999 employees.
- Two to seven organisations employing at least 10,000 people have been represented each month.



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



(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 (an average of 79%) as having the greatest impact on their organisation.
- Labour and skills shortages were most commonly reported across skilled technical, engineering, hospitality and FM roles.
- Labour shortages impacted the business operations of all but seven respondents across Q1.
- Most respondents' supply chains were impacted, although the severity of this impact has reduced since Q4 2023.²
- The cost of living is also one of the most frequently reported issues for respondents and all respondents' workforces have been raising the issue with them each month.
- Vacancies were reported by over half of respondents as at normal levels. The majority of respondents, however, consistently reported that they found it difficult to recruit. The retention of existing staff was mostly reported as being neither easy nor difficult.

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
Labour supply	16/21	20/26	23/28
Cost of living	14/21	17/26	22/28
Industrial action	3/21	6/26	5/28
Pensions	2/21	1/26	2/28
Wages	10/21	12/26	12/28

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

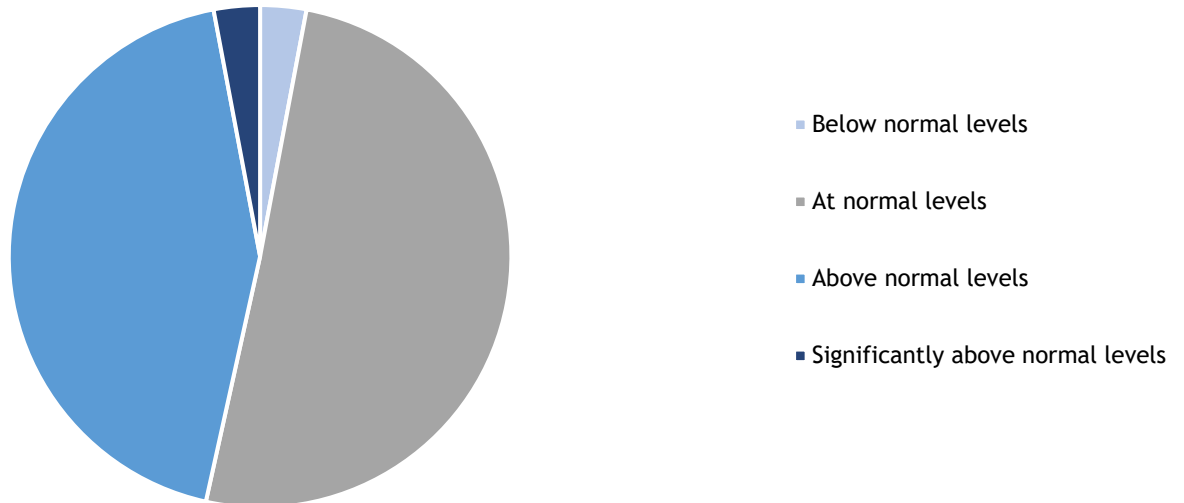
Vacancies

- The majority of respondents reported vacancies as being at normal levels. The proportion of respondents reporting vacancies at normal levels increased significantly in February (15/26) and March (16/28) from January (7/21), suggesting an improvement for respondents towards the end of Q1.
- Labour shortages impacted the business operations of most respondents, with the majority describing impacts as being to a 'small extent'. The proportion of respondents reporting to a 'small extent' increased in February (12/26) and March (15/28) from January (6/21).

² ibid



Jan-March vacancies (average % respondents across Q1 2024)



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

Labour shortages by job-type

The following shortages were identified by two or more members in every month in Q1:

- Skilled technical
- Facilities management
- Hospitality and catering
- Finance
- Hospitality and catering
- Drivers
- Technology
- Engineering
- Defence and security

Impact of labour shortages on respondents' supply chains

- Respondents were asked how labour shortages impacted the organisations in their supply chains; the majority of respondents each month reported impacts to 'some extent', and this has remained consistent (an average of 43% of respondents each month).
- The number of respondents reporting to a 'small extent' has increased in February (12/26) and March (11/28) from January (6/21).

Retention

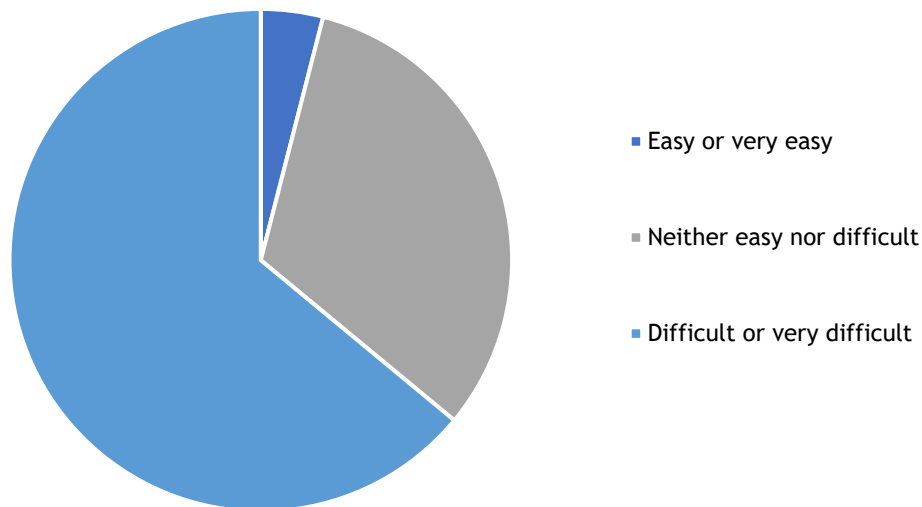
- The majority of respondents reported finding it neither easy nor difficult to retain employees in Q1. An average of 59% responded neither easy nor difficult across the three months. The number of respondents reporting finding it difficult to retain employees averaged 28% across the three months.
- Large organisations were more likely to experience retention difficulties compared to SMEs across Q1.



Recruitment

- The majority of respondents reported finding it difficult or very difficult to recruit new employees with an average of 64% of respondents each month.
- No respondents reported finding it very difficult to recruit in January and February, however there were 4 reports in March.

January-March recruitment experiences (average % respondents across Q1 2024)



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

Cost of living

- The cost of living was one of the most frequently reported issues (an average of 71% of respondents each month).
- The number of respondents reporting cost of living as an issue increased each month in Q1 (14/21 in January, 17/26 in February, 22/28 in March).
- Each month, an average of 68% of respondents reported the cost of living being raised by their workforce to 'some' or a 'large extent'.
- The proportion of respondents' workforces raising the issue to a 'small extent' increased in March to 11/28 from 6/21 in January and 6/26 in February.
- 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, and if, inflation falls. Respondents also reported cost of living pressures impacting employee's motivation and wellbeing.



Particular goods and services affected

Organisations of all sizes reported cost increases across all or most suppliers.

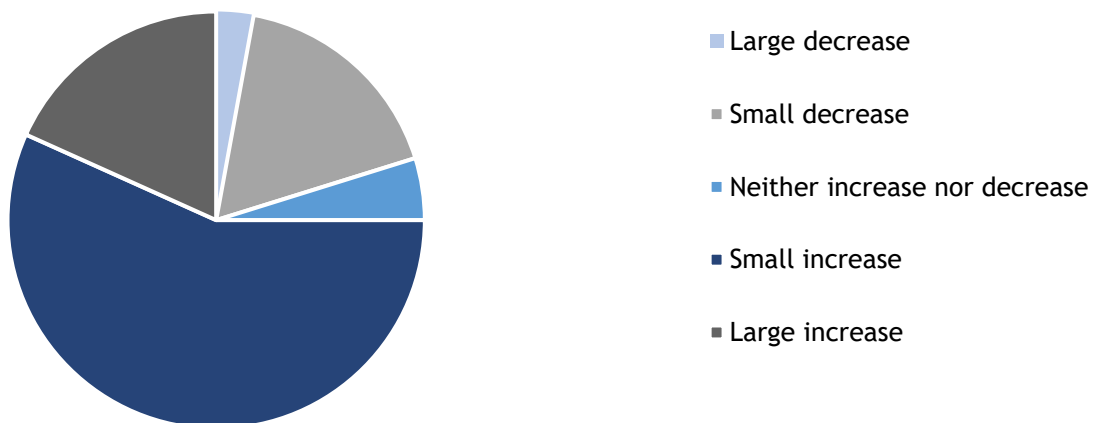
The following products were identified by two or more members as particularly changing in cost in Q1:

- Food products (every month)
- Energy (every month)
- IT software and hardware (every month)
- Raw materials (every month)
- Wages (February and March)
- Business rates (March)

Energy

- An average of 45% of respondents identified energy prices as an issue affecting their organisations across Q1.
- All but five respondents (3/26 in February and 2/28 in March) reported increases in energy prices to at least a 'small extent'.
- Just under half of respondents on average reported energy costs impacting their organisations operations to a 'small extent'.

How is your organisation seeing the cost of goods, services or raw materials change? (average % respondents across Q1 2024)?



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



Section Five: Operational Disruption

Key points

- Supply chain disruption has decreased as an issue for organisations, as has the proportion of respondents reporting difficulties sourcing goods and services.
- Sourcing goods and services was reported as neither easy nor difficult by the majority of respondents each month, similar to previous reports.⁴
- Cybersecurity and regulatory challenges continue to be reported by around 1/3 of respondents.
- A significant minority of respondents (12%) continue to report the war in Ukraine as an issue affecting their organisations.
- EU exit was also raised by 12% of respondents each month.
- Industrial action was raised by a minority of respondents (19%) in Q1.
- The majority of respondents reported that issues are reflected in contract terms to ‘some extent’.
- Across Q1, all but five respondents reported that AI is being factored into their organisation’s business strategy.

Respondent-identified issues impacting organisations

	0-24% respondents affected	25-49% respondents affected	50-74% respondents affected	75-100% respondents affected
		January	February	March
Cybersecurity		7/21	10/26	10/28
EU exit		3/21	3/26	3/28
Industrial action		3/21	6/26	5/28
Regulatory challenges		7/21	5/26	10/28
Supply chain disruption		6/21	4/26	5/28
War in Ukraine		2/21	3/26	4/28

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

Sourcing goods and services

- The proportion of respondents reporting supply chain disruption as an issue affecting their organisations has fallen from an average of 29% in January to 18% in March.
- The large majority of respondents reported sourcing goods, services and raw materials as neither easy nor difficult, and impacts have consistently been reported as either a ‘small extent’ or to ‘some extent’.
- Organisations that described supply challenges abating linked this to building diverse and resilient supply chains.
- Respondents reported throughout Q1 that the EU exit has led to increased lead times for international parts.

⁴ ibid



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)

The war in Ukraine

- The proportion of respondents reporting the war in Ukraine as an issue affecting their organisations has remained at an average between 10% and 14% in Q1.

Cybersecurity

- Challenges related to cybersecurity has slightly increased throughout Q1: 33% of respondents reported cybersecurity as an issue affecting organisations in January, and this rose to an average of 36% of respondents in March.
- Related to cybersecurity, one respondent highlighted that cybersecurity is an ongoing activity with emerging threats continuously under review for business implications and to reduce vulnerabilities within risk tolerance.

Regulatory challenges and EU exit

- An average of just over 1/4 of respondents across Q1 reported regulatory challenges as having the greatest impact on their organisation.
- Challenges related to EU exit have been reported by three respondents in each month in Q1.

Public sector industrial action

- An average of 18% of respondents across Q1 reported industrial action as having the greatest impact on their organisation. This increased from 3/21 in January to 5/28 in March.
- Just under half of respondents in Q1 reported that industrial action had not affected organisation's operations, with this increasing from 8/21 in January to 17/28 in March.
- Only 2 respondents across Q1 reported industrial action had affected business operations to a 'large extent'.
- 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 largely mitigated by hybrid working arrangements where practical.

Contract terms

- 57% of respondents reported that the issues affecting them were reflected to at least 'some extent' in typical contract terms in Q1, with 53% reporting to 'some extent'.



AI

- Across Q1, all but five respondents reported that AI is being factored into their organisation's business strategy to at least a 'small extent'.
- Just over 1/3 of respondents reported to a 'small extent' and 1/3 reported to 'some extent'.
- The number of respondents reporting that AI is being factored into their business strategy to a 'large extent' increased during Q1 to an average of 25% in March from an average of 19% in January.
- Respondents have commented that they expect an increase in reviews of AI regulation and ethics.



Annex 1 - List of BSA Members, May 2024

3C3 Ltd	Ingeus
4Merit	ISS UK
AECOM	Jobs22
Amey Plc	Kier Group Plc
Ankura	KPMG
Aramark	Lumby CMS
Arcadis LLP	Mace
Arcus FM	Maximus UK Ltd
AtkinsRéalis	Mazars
Atlas FM	Medallia
Atos	Mitie
AutogenAI	MTC
Baachu	NatWest
Balfour Beatty Plc	NCG
Barclays Corporate	Netcompany UK Ltd
Bellrock	Oxfordshire Business Consultancy 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	Space Solutions
Compass Group Plc	Spend Network
Connections Consulting	Strictly Education
Costain	The Grichan Whitestone Partnership
Deloitte	The Growth Company
DWF LLP	The Network Group
Elior UK Ltd	The Palladium Group
Equans	The Shaw Trust
Eric Wright FM	The Sustainability Group
FedCap	Turley
Form1 Partners	Twin UK
Fujitsu UK	Veolia
G3 Systems Ltd	Vercity
G4S Plc	VINCI Facilities
Glaston Consulting	VPS Group
Global Secure Accreditation	Wand Consulting
GoodPeople	Wates Group
HP	WSP
IBM	



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.