



**SKILLS ASSESSMENT FOR BUSINESS SERVICES
FINAL REPORT**

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EXECUTIVE SUMMARY

Background and Brief

1. The business services sector plays a key role within the Scottish economy. In addition, as well as being a major part of the economy in its own right, it can also be important in providing support services to other growth sectors. For example, knowledge intensive sectors such as life sciences and creative industries may have a particular need for specialist services – such as consultancy or advice around intellectual property or patents. This means that not only can a strong business services sector support other growing sectors of the economy, but that its existence may be necessary for the region to develop other sectors that require business services.
2. Skills Development Scotland, working with the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise has commissioned the development of a skills assessment for the business services sector. The key elements of the assessment are:
 - Describing and analysing the key characteristics of the business services sector, drawing on existing data and documentation.
 - Identifying skills issues facing the business services sector focusing on its key sub-sectors of accountancy, legal services, contact centres and business process outsourcing.
 - Validating and prioritising the identified skills issues through consultations with business services companies, industry groups and key stakeholders.
 - Mapping existing skills provision for the business services sector.

Definition of Business Services

3. For the purposes of the research, the Scottish Government's definition of business services sector has been used namely:
 - SIC 69.1: Legal activities.
 - SIC 69.2: Accounting, bookkeeping and auditing activities; tax consultancy.
 - SIC 70.2: Management consultancy activities.
 - SIC 71.129: Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities).
 - SIC 73.2: Market research and public opinion polling.
 - SIC 74.3: Translation and interpretation activities.
 - SIC 78.109: Activities of employment placement agencies (other than motion picture, television and other theatrical casting) not elsewhere classified.
 - SIC 78.3: Other human resources provision.
 - SIC 82.1: Office administrative and support activities.
 - SIC 82.2: Activities of call centres.
 - SIC 82.3: Organisation of conventions and trade shows.
 - SIC 82.91: Activities of collection agencies and credit bureaus.
 - SIC 82.99: Other business support service activities not elsewhere classified.

Research Methods

4. The key research methods used include:
 - Collation and analysis of key data on the profile of the business services sector and the skills issues facing the sector.
 - A desk-based review of the key literature on the issues facing the sector.
 - One-to-one interviews with major employers and stakeholders including ACCA, ICAS, Law Society of Scotland and Contact Centre Association.

- An e-survey of employers, again to capture information on the key skills issues and potential approaches to tackling these.
- Two workshops with the Steering Group to discuss the research findings and use these as a basis for agreeing the key skills issues to be tackled.

Profile of Business Services Sector in Scotland

5. In 2013, there were almost **21,000 businesses** in the business services sector in Scotland.
 - Business services accounts for 13% of all businesses in Scotland.
 - The number of businesses has increased by 17% since 2009.
 - Over half (54%) of businesses in the sector have no employees.
6. The business services sector **employed 121,500** in 2013.
 - Business services account for 5% of total employment.
 - Employment in the sector has declined by 6% since 2009 – compared to an 8% increase across Great Britain as a whole.
7. The business services sector **contributed £6.4 billion to the Scottish economy** in 2012. This was an increase of 13% since 2009.
8. The UK Commission for Employment and Skills is projecting employment in 'business and other services' will **grow by 12% in Scotland between 2012 and 2022**.
9. Key **drivers of growth** for the sector include:
 - The growth of other sectors is creating supply chain opportunities for the business services sector.
 - ICT with:
 - Improved technology making it easier to outsource activities to Scotland.
 - New technologies enabling businesses to develop new products and services and to streamline processes.
 - Changing consumer tastes and demands.
 - Relative cost of locating in Scotland compared to London and the South East – but with the standards and quality equally good.
 - The potential to analyse 'big data' being collated on customers.

Analysis of Skills Issues in Business Services Sector

10. Both the UK Commission for Employment and Skills' Employer Skills Survey and the e-survey and one-to-one interviews undertaken for this study show that the majority of hard-to-fill vacancies are due to skills shortages. The main **skills shortages** are in:
 - The technical skills required to do the job.
 - Customer service skills.
 - Communication skills (especially amongst young people).
 - Knowledge and ability to use IT.
11. Many of the employers participating in this research were projecting growth – and anticipated needing to recruit more project and operations managers going forward.
12. Few of the employers participating in the research reported **skills gaps** within their existing workforce – although the high turnover in contact centres alongside the large proportion of graduate trainees in law and accountancy meant that not all staff were fully proficient.

13. One skill that many employers mentioned that their current staff lack – and that will become increasingly important going forward – is **business acumen** or commercial awareness (for example, accountants being able to pull out the key business implications of financial analysis).
14. Looking forward, the increasing **complexity of processes and products** is changing the skills employers need. In particular, there is a need for staff with:
- The ability to use IT. For example, multi-channel platforms used by contact centres require staff to have good basic IT skills.
 - Strong empathy and ‘active listening’ skills are needed to address the more complex customer queries that businesses are dealing with.
 - The ability to work across disciplines.
 - Adaptability and the ability to learn.
15. Many of the employers interviewed for this research or that took part in the e-survey felt that they had good access to training through internal systems or professional bodies. They would, however, value **support from the public sector** to:
- Simplify the support on offer or provide easier ways to find and access the support needed.
 - Help build linkages between employers and schools, colleges, universities and training providers.
 - Develop the skills of young people, with a particular focus on developing communication and IT skills and ensuring young people gather practical experience through work placements.

Skills Issues by Sub-sector

Accountancy

16. In general, the accountancy sector does not face any major issues in terms of recruitment – although some employers have identified issues in accessing individuals with particular specialist skills including pensions administration, corporate tax and governance and risk.
17. A number of interviewees suggested that it was important to broaden recruitment into the sector in terms of:
- The types of individuals recruited – to ensure they reflect Scottish society as a whole.
 - Making sure all routes into the sector (i.e. both apprenticeships and graduate training schemes) are known and utilised.
18. Current staff were generally seen as proficient. Looking forward, employers felt there was a need to:
- Develop the commercial awareness of existing staff.
 - Develop management and leadership skills.
 - Develop IT skills to enable business processes to be improved.

Legal

19. Few recruitment issues were identified in relation to legal services – reflecting the large pool of graduates from Scottish universities in law. Where employers did note problems recruiting, these were primarily around:
- Recruiting individuals that can contribute from day one.
 - For new entrants, employers found that they often did not have a practical understanding or experience of the law and lacked written and oral communication skills.

20. The growth of legal process outsourcing (LPO) is going to increase the need for legal analysts within Scotland – but employers were confident they will be able to access these skills given the large number of law graduates and good quality skills these individuals have.
21. In general, existing staff are seen as proficient – although some employers did note that new entrants take time to develop communication skills, time management and focus.
22. Looking forward, increasing use of IT will mean existing staff will need to develop skills in this area.

Contact Centres

23. In relation to recruitment:
- The key challenge is recruiting customer service advisors. These roles require good communication and customer service skills – but attitude and motivation are also critical.
 - However, the poor image of contact centres and low wages can reduce the appeal of the sector.
 - Some employers also reported problems recruiting senior managers – with the image of the sector also seen as a key issue here.
24. Looking forward, the growth of the sub-sector means there will be increasing demand for:
- Managers.
 - Individuals to fill highly specialised roles – e.g. IVR technologies, data analysts.
25. In terms of the skills of the current workforce, the key skills gap is around customer handling skills. Developing these skills will become increasingly important as the issues they deal with become more complex. In particular:
- Active listening skills will become even more important.
 - Staff will need to become more flexible – working across roles and functions.
 - Staff will need to develop their product knowledge.
 - The shift to multi-channel will mean employers will need to develop the IT skills of their staff further.
26. In addition, given the growth of the sector and the increasing complexity of the services offered, there will also be a need to develop the skills of managers within the sector.

Business Process and IT Outsourcing

27. In terms of recruitment, the key challenge facing firms in the BPO and ITO sub-sector is around accessing staff with IT skills.
- Problems were identified at all levels – from IT helpdesk to senior developers (although not necessarily within the same employer).
 - The problem appeared to stem from there not being enough individuals with these skills (especially more specialised fields and in specific geographic areas).
28. Employers in this sub-sector also noted difficulties in recruiting:
- Individuals with appropriate customer service skills.
 - Individuals with appropriate project management experience.
 - Individuals with specific expertise (e.g. HR, finance, languages, etc.).

29. Looking forward, the shift to higher value added processes and activities will mean employers will have to develop the skills of their staff to meet changing needs. In particular, skills are needed to:
- Understanding client's business and processes and being able to identify where costs/waste can be stripped out.
 - Make use of ICT.
 - Analyse data being collected about customers.
 - Anticipate and respond to regulatory changes.

Skills Supply for the Business Services Sector

30. Only two MA frameworks specifically relate to business services – accounting and professional services (which includes audit, tax, management consulting and management accounting pathways). However, as the MA in professional services was only approved in 2014, data is not available on this framework.
31. There were 80 Modern Apprenticeship starts in accounting in 2013/14.
32. A range of other MAs develop skills relevant to business services – including some (business and administration, customer services, management) with large numbers of starts. In total, 21% of MA starts in 2013/14 were in subjects relevant to business services. However, care needs to be taken given these MA frameworks are used by wide range of sectors.
33. There were just under 60,000 enrolments in **colleges** in subjects relevant to business services. This is a decline of 33% on 2010/11 – with the numbers studying subjects relevant to business services declining by more than for all subjects (22%).
34. In terms of **higher education**:
- 32,300 were studying business and administrative studies in 2013/14 (14% of all students).
 - 8,300 were studying law (4%)
 - 9,800 were studying computer science (4%) and a further 19,200 studying engineering and technology (6%).
 - 12,200 were studying languages (5%).
35. There appears to be a **gender** bias in those choosing to pursue training or education in subjects relevant to business services:
- 71% of those starting an accounting MA are female. Females are also over-represented in all other MAs frameworks relevant to business services except ICT professional and IT and telecommunications.
 - A similar pattern is observed amongst higher education students where females account for 61% studying business and administrative studies and law – but less than 30% of those studying IT-related subjects.
36. Many of those pursuing training or education in subjects relevant to business services are **aged over 25**.
- Whilst the vast majority of those starting an accounting MA were young (with 64% aged 16-19 and a further 29% aged 20-24), the profile of those starting other MA frameworks is more mixed with over a third of those starting customer service, ICT profession and providing financial services and 75% of those starting management aged 25 or over.
 - Over 25s account for over 50% of college enrolments in all subjects relevant to business services except business/finance (general); sales work; and IT: computer science/programming/systems.

37. A number of activities are ongoing to try to **improve supply of skills** for business services.
- My World of Work and Directions (finance and law) websites aim to improve information available on business services careers – but more could be done to promote the sector.
 - The Digital Skills Academy will launch in late Summer 2015 and will help individuals from related backgrounds develop ICT skills needed by employers.
 - A marketing campaign to promote roles in ICT will launch in Spring 2015.
 - SDS is currently upgrading the Our Skillsforce website to improve information available to employers on training and development. This will also raise awareness of Modern Apprenticeships, including higher level apprenticeships.

Business Services by Region

38. The business services sector is over-represented in the city-regions namely:
- Aberdeen City and Shire.
 - Glasgow and Clyde Valley.
 - Edinburgh and Lothians.
39. The sector within **Aberdeen City and Shire** is dominated by ‘other engineering activities’ – meaning only 17% of employment in the sector is in the sub-sectors focused on in this study. The key skills needs emerging for the sector in Aberdeen City and Shire are around accountancy, book-keeping, governance, risk management, customer service skills, complaint handling and IT skills.
40. In the **Glasgow and Clyde Valley** region, both accountancy and legal and contact centres/BPO account for around 25% of employment in the sector. The key skills needs emerging for the sector in Glasgow and Clyde Valley are around accountancy, data analysts, ICT (developers and support staff), languages and business analysts.
41. In **Edinburgh and Lothians**, the accountancy and legal sub-sectors are particularly important – accounting for 45% of employment in the sector. The key skills issues emerging for the sector in Edinburgh and Lothians are around financial reporting and customer service
42. In general more students are studying subjects relevant to business services and more individuals are undertaking Modern Apprenticeships in frameworks relevant to business services in those regions where the sector is over-represented.

Recommendations

43. An **action plan** should be developed to address the skills issues identified in this skills assessment of the business services sector.
44. This action plan should differentiate between those skills issues that:
- Are **national** and will need to be tackled at the Scottish level. These will primarily be issues relating to higher level qualifications and skills, with the market for these skills operating nationally or internationally.
 - Are **regional** and will be most effectively addressed at the regional level. These will primarily be issues relating to lower and intermediate level qualifications and skills, with the market for these skills being local or regional.

45. In relation to both national and regional level, there needs to be a **strong employer voice** in the development and delivery of the action plan. Within this, it will be important that the employers involved in the development of the action plan reflect the diversity of sector.
46. There is currently no group that leads on business services or in relation to skills issues for the sector. However, given the diversity of the business services sector – both in terms of the diverse nature of the different sub-sectors and the mix of very large employers alongside micro-businesses – will mean that it will be difficult to establish a group that will effectively represent the full range of different interests. As such, a range of organisations and groups will need to be involved in taking forward the action plan.
47. At the regional level, each region will need a different approach – reflecting both the relative contribution of business services to their regional economy and the particular composition of the business services sector in their region.
48. Skills Development Scotland should play a key role in tackling the skills issues identified. In particular, it has a role to play in:
- Raising awareness of careers in the sector and routes into these (including through My World of Work).
 - Encouraging greater take up of Modern Apprenticeships in the sector, including higher level apprenticeships at Levels 4 and 5. SDS is required to increase the number of Modern Apprenticeship starts from 25,000 to 30,000 per annum by 2020. Given that business services is a growing sector, SDS needs to make the most of the opportunity for new MA starts by encouraging those business services employers that do not currently use MAs to begin to utilise them and to get those who are already using them to take on more MAs.
 - Ensuring that Foundation Apprenticeships currently being developed help develop the skills needed by the business services sector.
 - Continuing their efforts to ensure that employers are able to easily access information on the supports available to develop the skills of their workforce (including through Our Skillsforce). In particular, many business services employers interviewed felt that the provision seems complicated – in terms of the range of services and providers available – and would welcome a system that makes it easier to navigate what is available. In addition, some consultees argued that providing linkages to private sector providers (such as recruitment consultants) and to public sector provision in the rest of the UK would help make Our Skillsforce more useful to them.
 - Identifying existing groupings that would be well placed to take forward the priorities – building on the strong partnership links they have built up through the development of the Skills Investment Plans and Regional Skills Assessments.
49. Scottish Funding Council should ensure that college and university provision is in place to develop the skillsets needed by the sector including:
- Encouraging closer education-industry links with the business services sector. Strong links already exist with the professional, statutory and regulatory bodies in relation to accountancy and legal but links with business and IT outsourcing are more *ad hoc*.
 - Ensuring mechanisms are in place to enable students to gain the practical experience and business acumen that employers have said they require, for example, through work placements.

- Ensuring that college and university courses are enabling young people to develop the core skills (literacy and numeracy) and soft skills (such as attitude, motivation, ability to work in a team) that employers have identified as critical.
50. Scottish Enterprise and Highlands and Islands Enterprise offer a range of programmes that help develop management and leadership skills within growth businesses and sectors. Given that this was identified as a key skills need by employers in the business services sector, it will be important that Scottish Enterprise/Highlands and Islands Enterprise reviews these programmes to ensure that they are aligned with the needs of business services. In addition, more may need to be done to actively promote these programmes to the sector to increase uptake.
51. Talent Scotland provides information on living and working in Scotland. There would be value in exploring if providing business services specific information or case studies (similar to those already available for financial services) would be helpful in attracting skilled individuals with experience of the business services sector to Scotland.

1. INTRODUCTION

Background

The Business Services sector plays a key role within the Scottish economy and *Scotland's Economic Strategy*¹ outlines that it (along with financial services) will be one of the key sectors that the Scottish Government will target its business investment interventions at. The key rationale for supporting the sector is that globally the sector is experiencing strong growth. In addition, as well as being a major part of the economy in its own right, it can also be important in providing support services to other growth sectors. For example, knowledge intensive sectors such as life sciences and creative industries may have a particular need for specialist services – such as consultancy or advice around intellectual property or patents. This means that not only can a strong business services sector support other growing sectors of the economy, but that its existence may be necessary for the region to develop other sectors that require business services.

Brief

Skills Development Scotland, working with the Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise has commissioned the development of a skills assessment for the business services sector. The key elements of the assessment are:

- Describing and analysing the key characteristics of the business services sector, drawing on existing data and documentation.
- Identifying skills issues facing the business services sector and its key sub-sectors of accountancy, legal services and contact centres (both outsourcers and back office/captive). These sub-sectors have been chosen as they are the sub-sectors that:
 - Are growing or have potential for growth from inward investment.
 - Have experienced or are anticipated to experience major structural changes.
 - Are in the supply chain that is key to supporting the Skills Investment Plan for Scotland's Financial Services Sector.
- Validating and prioritising the identified skills issues through consultations with business services companies, industry groups and key stakeholders.
- Mapping existing skills provision for the business services sector.
- Preparing a Skills Assessment document and presenting this to the Steering Group.

For the purposes of the research, the Scottish Government's definition of business services sector has been used namely:

- SIC 69.1: Legal activities.
- SIC 69.2: Accounting, bookkeeping and auditing activities; tax consultancy.
- SIC 70.2: Management consultancy activities.
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- SIC 82.1: Office administrative and support activities.
- SIC 82.2: Activities of call centres.

¹ Scottish Government (2015). *Scotland's Economic Strategy*.

- SIC 82.3: Organisation of conventions and trade shows.
- SIC 82.91: Activities of collection agencies and credit bureaus.
- SIC 82.99: Other business support service activities not elsewhere classified.

Research Methods

The key research methods used include:

- Collation and analysis of key data on the profile of the business services sector and the skills issues facing the sector. In particular, this has drawn on the Scottish Government's Growth Sectors Statistics Database, the Business Register and Employment Survey and UK Commission for Employment and Skills' Employer Skills Survey and Working Futures projections.
- A desk-based review of the key literature on the issues facing the sector.
- One-to-one interviews with major employers and stakeholders including ACCA, ICAS, Law Society of Scotland and Contact Centre Association. A total of 20 interviews were undertaken. The focus of these interviews was on establishing the key skills issues faced and what needed to be done to resolve these.
- An e-survey of employers, again to capture information on the key skills issues and potential approaches to tackling these. The e-survey was promoted by ACCA and Law Society of Scotland to its members. In relation to other key business sub-sectors, the e-survey was circulated to businesses nominated by the steering group (Skills Development Scotland, Scottish Government, Scottish Enterprise and Highlands and Islands Enterprise). 47 employers participated in the survey but only 32 of these were relevant to business services so the analysis was confined to these employers.
- Two workshops with the Steering Group to discuss the research findings and use these as a basis for agreeing the key skills issues to be tackled.

Structure of Report

The structure of this report is as follows.

- Chapter 2 sets out the profile of the business services sector in Scotland.
- Chapter 3 analyses the key skills issues facing the business services sector.
- Chapter 4 presents the key skills issues by sub-sector.
- Chapter 5 presents the supply of skills to the business services sector.
- Chapter 6 outlines the key issues by region.
- Chapter 7 summarises the key skills issues for the business services sector – and sets out a series of recommendations.

2. PROFILE OF BUSINESS SERVICES SECTOR IN SCOTLAND

Introduction

As a key sector identified in *Scotland's Economic Strategy*, business services is considered to be making a considerable contribution to the Scottish economy – and to have the potential to make an even more substantial contribution going forward. This chapter provides an overview of the size, composition and characteristics of the sector, based on a review of key datasets. In addition, a review of the literature had identified the key factors that are underpinning the growth of the sector.

Scotland's Business Services Sector

Beginning with the economic contribution of the Business Services sector in Scotland, Figure 1 shows that the Business Services sector generated:

- £10,333m in turnover in 2012, an increase of 9% on 2009.
- £6,414m in Gross Value Added (GVA) in 2012, an increase of 13% on 2009.
- £51,558 in GVA per employee (i.e. productivity) in 2012, an increase of 25% on 2009.

Figure 1: Business Services Turnover, Gross Value Added and Productivity, Scotland 2009-2012

	2009	2012	2009-2013 Change	
			Number	%
Turnover	£9,448m	£10,333m	+£885m	+9.4%
Gross Value Added (at basic prices)	£5,672m	£6,414m	+£742m	+13.1%
GVA per Employee	£41,131	£51,558	+£10,427	+25.4%

Source: Scottish Government Growth Sectors Statistics Database

By number of businesses, **Scotland had 20,835 Business Services business in 2013.**

- This equates to 13% of all businesses in Scotland.
- Over time, an increase of 2,980 businesses (or 17%) from 2009.

Figure 2: Businesses, Scotland 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
Business Services	17,855	20,835	+2,980	+16.7%
All Sectors	154,370	160,050	+5,680	+3.7

Source: Scottish Government Growth Sectors Statistics Database

By size of business, Figure 3 shows that **businesses in the Business Services sector have fewer employees on average than across all Scottish businesses.** In particular, business services have a number of zero-employee businesses (54% of all Business Services businesses). As a consequence, the proportion of Scotland's jobs that are in the Business Services sector (5%) is less than the proportion of Scotland's businesses that are in the sector (13%).

Figure 3: Businesses by Size (%), Scotland 2013

	Business Services	All Sectors
0 employees	54.1	37.0
1 to 49 employees	44.0	59.2
50 to 249 employees	1.1	2.3
250+ employees	0.8	1.4
Total	100.0	100.0

Source: Scottish Government Growth Sectors Statistics Database

By country of ownership, Figure 4 shows that a slightly higher proportion of **businesses in the Business Services sector are Scottish-owned (98%) than Scottish businesses as a whole (97%)**.

Figure 4: Businesses by Country of Ownership (%), Scotland 2013

	Business Services	All Sectors
Scottish-owned	98.2	97.0
Rest of UK-owned	1.0	1.7
International-owned	0.8	1.4
Total	100.0	100.0

Source: Scottish Government Growth Sectors Statistics Database

Using the Scottish Government definition of Business Services, Figure 5 shows:

- **Scotland had 121,500 Business Services jobs in 2013.**
- As indicated above, this equates to 5% of all jobs in Scotland, which is below the Great Britain² proportion of 6%.
- In comparison to the other UK regions, Scotland has a smaller proportion of jobs in Business Services than London, the North West, South East, East of England, and Yorkshire and the Humber.

² UK data not available.

Figure 5: Business Services Employees, UK Regions 2013

	Number	As a % of Total Employees
East	135,100	5.5
East Midlands	87,400	4.5
London	484,500	10.6
North East	43,000	4.3
North West	206,000	6.8
Scotland	121,500	5.2
South East	230,200	6.0
South West	107,300	4.7
Wales	46,400	3.9
West Midlands	119,800	5.1
Yorkshire and the Humber	118,700	5.4
Great Britain	1,699,900	6.3

Source: Business Register and Employment Survey

In terms of trend data, Figure 6 shows how the number of Business Services jobs has changed between 2009 and 2013.

- **The number of Business Services jobs in Scotland has fallen by 6%.** This is likely to reflect the impact of the recession on the sector – with the Scottish sector likely to have been particularly hard hit given the role it plays in supporting the financial services sector.
- The Scottish decline is at odds with the increase of 8% across Great Britain as a whole.
- By region, the North West, West Midlands, Yorkshire and the Humber, London and the East have seen the greatest increases in Business Services jobs between 2009 and 2013.

Figure 6: Business Services Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	118,500	135,100	16,600	14.1
East Midlands	96,200	87,400	-8,800	-9.2
London	422,800	484,500	61,700	14.6
North East	47,100	43,000	-4,100	-8.6
North West	160,300	206,000	45,700	28.5
Scotland	129,500	121,500	-8,000	-6.2
South East	240,100	230,200	-9,800	-4.1
South West	109,600	107,300	-2,300	-2.1
Wales	46,700	46,400	-300	-0.7
West Midlands	102,800	119,800	17,000	16.6
Yorkshire and The Humber	102,400	118,700	16,300	15.9
Great Britain	1,576,000	1,699,900	124,000	7.9

Source: Business Register and Employment Survey

Appendix 1 provides data on the number of employees in some key business services sub-sectors. Between 2009 and 2013, the numbers employed in the Scottish:

- Accountancy sub-sector declined from 32,100 to 16,100 – a decline of 50%.
- Legal sub-sector increased from 19,600 to 19,900 – an increase of 2%.
- Contact centre sub-sector increased from 13,200 to 14,800 – an increase of 12%.

Looking forward, and with the caveat that the Working Futures data refers to the wider 'Business and Other Services' sector, Figure 7 shows that UK employment in Business and Other Services is expected to continue growing.

- **Between 2012 and 2022, UK employment in Business and Other Services is projected to increase by 12%.**
- This rate of increase is double the 6% increase across all sectors.

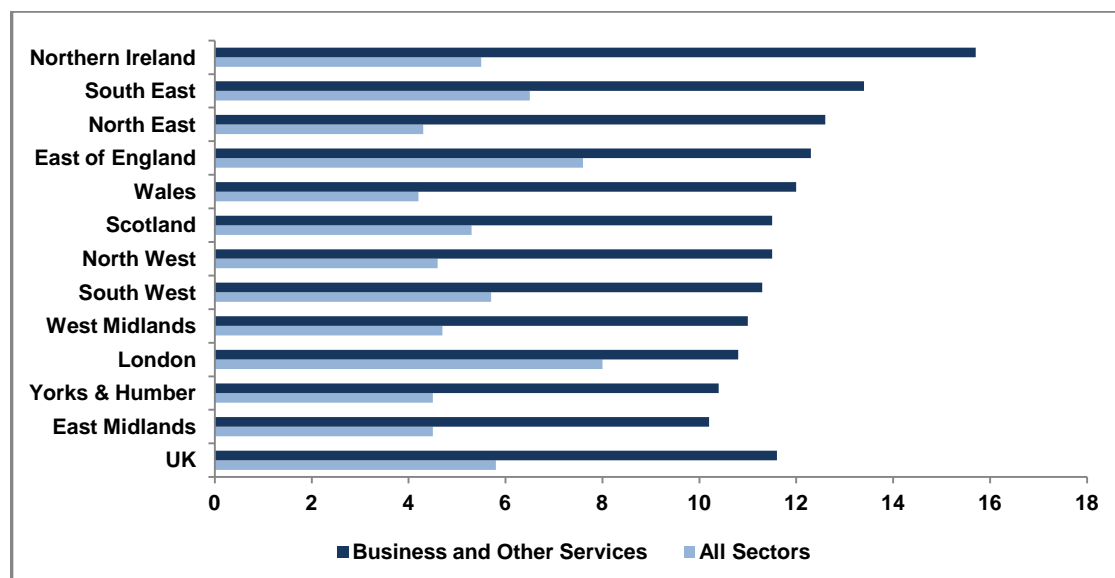
Figure 7: Employment (1,000s), UK 2012-2022

	2012	2022	2012-2022 Change	
			Number	%
Business and Other Services	9,655,000	10,788,000	+1,133,000	+11.7%
All Sectors	32,112,000	33,933,000	+1,821,000	+5.7%

Source: Working Futures 2012-2022

By region, Figure 8 shows that employment in Business and Other Services is projected to increase across all regions. **Focusing on Scotland, Business and Other Services employment is projected to increase by 12%**, which is in line with the UK average.

Figure 8: Percentage Increase in Employment by UK Region, 2012-2022



Source: Working Futures 2012-2022

Characteristics of Scotland's Business Services Sector

This section uses the results from the UKCES 2013 Employer Skills Survey to help show what constitutes the Business Services sector in Scotland. To begin, Figure 9 shows that **the sector has a high proportion of small businesses** with 58% of Business Services establishments responding to the Employer Skills Survey having 2

to 4 employees. This compares with 49% of establishments with 2 to 4 employees across all sectors.

Figure 9: Establishment Size (% of Establishments), Scotland 2013

	Business Services	All Sectors
2-4 employees	58	49
5-9 employees	21	24
10-24 employees	13	16
25-49 employees	4	6
50-99 employees	2	3
100-249 employees	1	2
250+ employees	1	1
Total	100	100

Source: UKCES Employer Skills Survey 2013

By business market, Figure 10 shows that **Scotland's Business Services establishments service a wider market than Scotland's businesses as a whole**. Higher proportions of Business Services establishments state that their primary market is Scotland as a whole, the UK and (to a lesser extent) internationally than the average across all sectors.

Figure 10: Geographical Area in Which Goods/Services are Primarily Sold/Service the Population (% of Establishments), Scotland 2013

	Business Services	All Sectors
Locally	35	46
Regionally	13	16
Nationally (Scotland)	21	14
Within UK	21	15
Internationally	10	9
Total	100	100

Source: UKCES Employer Skills Survey 2013

By occupation, Figure 11 shows that **Business Services has a higher proportion of managers, professionals, associate professionals, and administrative and clerical occupations than Scotland's businesses as a whole**.

Figure 11: Occupational Profile (% of Staff), Scotland 2013

	Business Services	All Sectors
Managers	18.3	15.1
Professionals	16.7	11.6
Associate Professionals	9.6	6.4
Administrative/Clerical Staff	15.5	12.7
Skilled Trades	7.6	8.5
Caring, Leisure and Other Services	1.8	12.1
Sales and Customer Service	11.9	11.7
Machine Operatives	6.9	7.1
Elementary	11.9	14.9
Total	100.0	100.0

Source: UKCES Employer Skills Survey 2013

By qualification level, Figure 12 shows that **Business Services has a higher proportion of its staff with graduate level qualifications than Scotland's businesses as a whole**. This aligns with Figure 11 above which showed that Business Services has a higher proportion of employees in higher skilled occupations which typically require a graduate level qualification.

Figure 12: Staff with a Level 4 Qualification (% of Staff), Scotland 2013

	Business Services	All Sectors
Fewer than 20%	22	30
20%-49%	16	19
50%-80%	30	24
More than 80%	27	18
Don't know	5	9
Total	100	100

Source: UKCES Employer Skills Survey 2013

Overview of Key Issues

Reflecting the importance of the sector to the Scottish and UK economy, a range of studies³ have been undertaken into the characteristics of the sector and the factors that are influencing the performance of the sector. The key findings in relation to the characteristics of the sector include:

- Professional and business services trade primarily in knowledge, expertise, information and advice – with a distinction between:
 - *Networked services* involving the transfer of useful knowledge from one organisation or individual to another – e.g. legal services and accountancy.
 - *Intermediary services* which add value by making exchanges of products and services more efficient – e.g. leasing activities, recruitment and selection activities.
- Sector is strongly client-focused and has links to virtually all parts of the economy.

³ HM Government (2013) *Growth is Our Business: A Strategy for Professional and Business Services*; Scottish Government (2010) *Financial and Business Services: Key Sector Report*; and UKCES (2012) *Sector Skills Insight: Professional and Business Services*.

- Main economic role of sector is as an enabler of local growth and investment
- Over 2/3 of jobs are full-time, but part-time employment is projected to account for over 70% of the total employment increase to 2020.
- By age, younger and older age groups are slightly under-represented in the sector.
- By size of firm, employment is slightly more skewed towards larger firms. Larger firms are more likely to have formal training, skills and business development plans.
- UK sector is recognised for operating to high ethical and professional standards, which are maintained by the UK's world renowned professional institutions.
- 6% of UK employment is in Scotland (BRES data states 7%). Outside London, employment in the sector is strongly concentrated in Birmingham, Bristol, Edinburgh, Glasgow, Leeds and Manchester.
- Scotland has positioned itself as a low risk, lower cost location where companies can take advantage of the existing infrastructure and assistance available to achieve operational cost efficiencies and savings. Where firms are being driven to reduce costs, this gives Scotland an advantage for any company wishing to expand and grow its business.

Key future drivers and challenges include:

- Increase in flexible business models.
- Expect to see development of stronger partnerships between specialist firms
- Technology may culminate in a reduction of jobs and/or deskilling in less complex activities.
- Technology has implications for where business services are delivered – i.e. opportunities for out-sourcing and relocations. Centres outside London are competing for back-office functions and these relate to IT, customer care, legal, training and routine financial functions.
- Regulation is a key issue/driver for professional and business services.
- Demographic change – a more diverse population requires skills and understanding that relate to different sections of the population.
- Opportunities in terms of the support services that can be provided to other key/growth sectors, such as life sciences and creative industries (e.g. patent/management consultancy).

Key Findings

1. In 2013, there were almost 21,000 businesses in the business services sector in Scotland.
 - Business services accounts for 13% of all businesses in Scotland.
 - The number of businesses has increased by 17% since 2009.
 - Over half (54%) of businesses in the sector have no employees.
2. The business services sector employed 121,500 in 2013.
 - Business services account for 5% of total employment.
 - Employment in the sector has declined by 6% since 2009 – compared to an 8% increase across Great Britain as a whole.
3. The business services sector contributed £6.4 billion to the Scottish economy in 2012. This was an increase of 13% since 2009.
4. The UK Commission for Employment and Skills is projecting employment in 'business and other services' will grow by 12% in Scotland between 2012 and 2022.
5. Key drivers of growth for the sector include:
 - The growth of other sectors is creating supply chain opportunities for the business services sector.
 - ICT with:
 - Improved technology making it easier to outsource activities to Scotland.
 - New technologies enabling businesses to develop new products and services and to streamline processes.
 - Changing consumer tastes and demands.
 - Relative cost of locating in Scotland compared to London and the South East – but with the standards and quality equally good.
 - The potential to analyse 'big data' being collated on customers.

3. ANALYSIS OF SKILLS ISSUES IN BUSINESS SERVICES SECTOR

Introduction

Accessing the labour and skills it requires will be critical to the Scottish business services sector achieving its growth potential. This chapter will draw on key datasets and research studies to review the current position – looking at both recruitment issues and the skills of current staff. It will also briefly consider the levels of training currently being undertaken in the sector.

Recruitment in Business Services Sector

Again using the results from the UKCES 2013 Employer Skills Survey, this section presents an overview of recruitment activity by Business Services establishments in Scotland, including the challenges they encountered.

In terms of recruitment levels, Figure 13 shows:

- 64% of Business Services establishments in Scotland recruited in the last 3 years, which is marginally below the 67% across Scotland's businesses as a whole.
- In terms of recruiting young people, 39% of Business Services establishments in Scotland recruited from this age group, which is below the 46% across Scotland's businesses as a whole.
- Linked to the point above, Business Services establishments were less likely to have recruited anyone direct from leaving secondary school and college.
- However, they were more likely to have recruited from university – and this ties into the higher proportion of the workforce with a degree-level qualification.

Figure 13: Recruitment (% of Establishments), Scotland 2013

	Business Services	All Sectors
Recruited in Last 3 Years	64	67
Recruited Any Young People	39	46
Recruited Anyone to First Job on Leaving Education	26	29
- From a Scottish Secondary School	11	17
- From a Scottish FE College	8	11
- From a Scottish University	17	12

Source: UKCES Employer Skills Survey 2013

In relation to how well prepared Business Services establishments perceived Scottish education leavers, the survey found that:

- 62% of Business Services establishments rated Scottish secondary school leavers as 'very well' or 'well' prepared, which was below the 65% across all Scottish businesses.
- 78% of Business Services establishments rated Scottish college leavers as 'very well' or 'well' prepared, which was the same as across all Scottish businesses.
- 80% of Business Services establishments rated Scottish university leavers as 'very well' or 'well' prepared, which was below the 85% across all Scottish businesses.

Widening recruitment beyond education leavers, Figure 14 shows that **Business Services establishments in Scotland have greater difficulties recruiting than Scotland's businesses as a whole.**

- 37% of vacancies are reported as hard to fill by Business Services establishments, compared with 33% across all Scottish businesses.
- 35% of vacancies are reported as skill shortage vacancies hard to fill by Business Services establishments, compared with 25% across all Scottish businesses.

Figure 14: Hard to Fill and Skill Shortage Vacancies (% of All Vacancies), Scotland 2013

	Business Services	All Sectors
Hard to Fill Vacancies (% of All Vacancies)	37	33
Skills Shortage Vacancies (% of All Vacancies)	35	25

Source: UKCES Employer Skills Survey 2013

The main reasons for having hard to fill vacancies were reported by Business Services establishments to be:

- Low number of applicants with the required skills (72% of Business Services establishments with hard to fill vacancies).
- Lack of work experience the company demands (21%).
- Lack of qualifications the company demands (15%).
- Low number of applicants generally (12%).

In relation to skills shortage vacancies, Figure 15 shows that the main skills that Business Services establishments have found difficult to obtain from applicants are:

- Technical, practical or job specific skills.
- Planning and organisation skills.
- Written communication skills.
- Oral communication skills.

Figure 15 also shows that these skills shortages are not distinct to the Business Services sector and are widely reported as issues across all sectors.

Figure 15: Skills Found Difficult to Obtain from Applicants (% of Establishments), Scotland 2013

	Business Services	All Sectors
Technical, practical or job specific skills	63	70
Planning and Organisation skills	30	39
Written communication skills	29	34
Oral communication skills	28	38
Literacy skills	20	32
Team working skills	20	31
Customer handling skills	19	41
Problem solving skills	19	38
Advanced IT or software skills	19	25
Basic computer literacy / using IT	10	18
Strategic Management skills	9	26
Numeracy skills	7	26
Foreign language skills	5	17

Source: UKCES Employer Skills Survey 2013

By occupation, Figure 16 shows that **skills shortage vacancies are more strongly felt by Business Services establishments in managers, professionals, associate professionals, and administrative and clerical occupations** than across all Scotland's businesses as a whole.

Figure 16: Skills Shortage Vacancy by Occupation (% of Establishments with Skills Shortage Vacancy), Scotland 2013

	Business Services	All Sectors
Managers	16	8
Professionals	30	19
Associate Professionals	20	13
Administrative/Clerical Staff	12	9
Skilled Trades	17	27
Caring, Leisure and Other Services	5	9
Sales and Customer Service	1	5
Machine Operatives	2	8
Elementary	2	9

Source: UKCES Employer Skills Survey 2013

Skills Profile of Business Services Workforce

Turning to the Business Services workforce in Scotland, Figures 11 and 12 have already shown that Business Services has higher proportions:

- Working in managers, professionals, associate professionals, and administrative and clerical occupations.
- Holding graduate level qualifications.

The Business Services workforce is therefore more highly qualified than Scotland's workforce as a whole and it also appears to be more proficient at their jobs. This is evidenced by:

- 5% of Business Services employees reported by their employers to have a skills gap, compared with 6% across all sectors.
- Amongst businesses not providing training in the last 12 months, 80% of Business Services establishments state that this was because their staff were fully proficient and did not need training, compared with 69% across all sectors.

In terms of the skills that need improving, Business Services establishments reported that the main skills gaps were:

- Technical, practical or job specific skills.
- Planning and organisation skills.
- Customer handling skills.
- Team working skills.
- Advanced IT or software skills.

Compared to Scotland's sectors as a whole, Business Services employers were more likely to report skills gaps in technical, practical or job specific skills and advanced IT or software skills.

Figure 17: Skills that Need Improving in Occupations with Skills Gaps (% of Establishments with Skills Gaps), Scotland

	Business Services	All Sectors
Technical, practical or job specific skills	75	63
Planning and organisation skills	52	58
Customer handling skills	43	47
Team working skills	37	47
Advanced IT or software skills	37	23
Problem solving skills	35	46
Oral communication skills	30	37
Strategic Management skills	26	25
Written communication skills	25	28
Basic computer literacy / using IT	18	22
Literacy skills	15	19
Numeracy skills	12	17
Foreign language skills	9	8

Source: UKCES Employer Skills Survey 2013

Looking forward, Figure 18 shows where the demand for new skills may arise in the next 12 months. In Business Services establishments, the main drivers are expected to be:

- New legislative or regulatory requirements.
- The introduction of new technologies or equipment.
- The development of new products and services.
- The introduction of new working practices.

Figure 18: Expectation of the Need for New Skills in Next 12 months (% of Establishments), Scotland 2013

	Business Services	All Sectors
New legislative or regulatory requirements	54	51
The introduction of new technologies or equipment	45	46
The development of new products and services	36	44
The introduction of new working practices	34	45
Increased competitive pressure	29	30
None of the above	23	25

Source: UKCES Employer Skills Survey 2013

Training of Business Services Workforce

Training of the workforce is the main mechanism to address skills gaps and Figure 19 shows that *the amount of training delivered by Business Services establishments is in line with Scotland's businesses as a whole.*

Figure 19: Training in Last 12 Months (% of Establishments), Scotland

	Business Services	All Sectors
Off-the-Job Training	54	53
On-the-Job Training	55	57
Any Training	70	70

Source: UKCES Employer Skills Survey 2013

In terms of training by occupation, Figure 20 shows that Business Services establishments are more likely to provide training to professional, associate professional, and administrative and clerical staff than Scotland's businesses as a whole.

Figure 20: Incidence of Training in Last 12 Months by Occupation (% of Establishments Providing Training), Scotland 2013

	Business Services	All Sectors
Managers	58	60
Professionals	29	15
Associate Professionals	17	11
Administrative/Clerical Staff	42	33
Skilled Trades	13	20
Caring, Leisure and Other Services	3	12
Sales and Customer Service	17	21
Machine Operatives	6	11
Elementary	11	21

Source: UKCES Employer Skills Survey 2013

Findings from Key Literature

Looking beyond the national datasets, a number of one-off studies⁴ have been undertaken looking at the skills needs of the business services sectors. This section of the report summarises the key findings from these studies, with a particular focus on how current trends and drivers are affecting the sector. The literature suggests the key skills needs facing the sector are:

- Business acumen.
- Interpersonal skills.
- Specialist technical skills to deal with requirements for increased regulations (such as around environmental legislation; data protection).
- New entrants increasingly need to add value from day one.

In terms of current issues facing the sector, the key issues raised in the literature include:

- Across all sectors of the economy, there is an growing emphasis on increasing efficiency and cutting costs. Given that the role of professional and business services is to service other sectors, these pressures have been acutely felt in the sector.
- Workforce needs to be more adept in use of ICT to enhance business processes and client engagement activities.

⁴ HM Government (2013) *Growth is Our Business: A Strategy for Professional and Business Services*; Scottish Government (2010) *Financial and Business Services: Key Sector Report*; UKCES (2012) *Sector Skills Insight: Professional and Business Services*.

- Sector has traditionally drawn from a relatively narrow social strata, resulting in a workforce that is not fully representative of the clients and society it serves. This also means that the sector is not tapping into its widest available talent pool.

Views of Employers and Stakeholders

To validate and prioritise the issues raised by the data and literature:

- An e-survey of business services employers has been undertaken. This has been circulated to a range of businesses including a number of Scottish Enterprise and Highlands and Islands Enterprise account managed companies, contact centres listed on the ContactBabel database and ACCA and Law Society of Scotland's HR forum members. 32 employers have completed the survey. A key gap is that only 2 legal firms have completed the survey.
- One-to-one interviews have been undertaken with key employers within the sector, alongside a number of professional and industry bodies and other key stakeholders (Financial and Legal Skills Partnership, Glasgow Economic Leadership Financial and Business Services Workstream and University of Highlands and Islands).

Employer Survey

Recruitment

90% of employers (27) have had vacancies in the last 12 months with:

- 17% having vacancies as a result of business growth.
- 37% having vacancies as a result on staff turnover.
- 37% having vacancies due to both growth and staff turnover.

60% of employers reported vacancies that were hard to fill.

- 28% of those reporting hard-to-fill vacancies felt that the main reason they were hard-to-fill was the candidates were not of sufficient quality.
- 6% reported that there had simply not been enough applicants.
- 56% reported that both a lack of applicants and the poor quality of candidates coming forward were issues.

Given that a high proportion of the employers raised the quality of candidates as a problem, it is worth considering the ways in which these did not meet employer requirements. As Figure 21 shows:

- The most common requirement that candidates lacked were the attitudes, motivation or personality that employers were looking for – with 61% of employers raising this as an issue.
- 56% of employers felt that candidates lacked the technical and practical skills to do the job.
- 50% reported that candidates lacked sufficient work experience.
- 39% of employers reported that candidates lacked general work skills – such as the ability to work in a team.
- A lack of qualifications was a much less common issue – mentioned by just 11% of employers.

Figure 21: Key Deficiencies in Candidates for Hard-to-Fill Vacancies



Source: E-survey of Business Services Employers

Employers were also asked about whether they recruited any school, college or university leavers or those returning to the labour market.

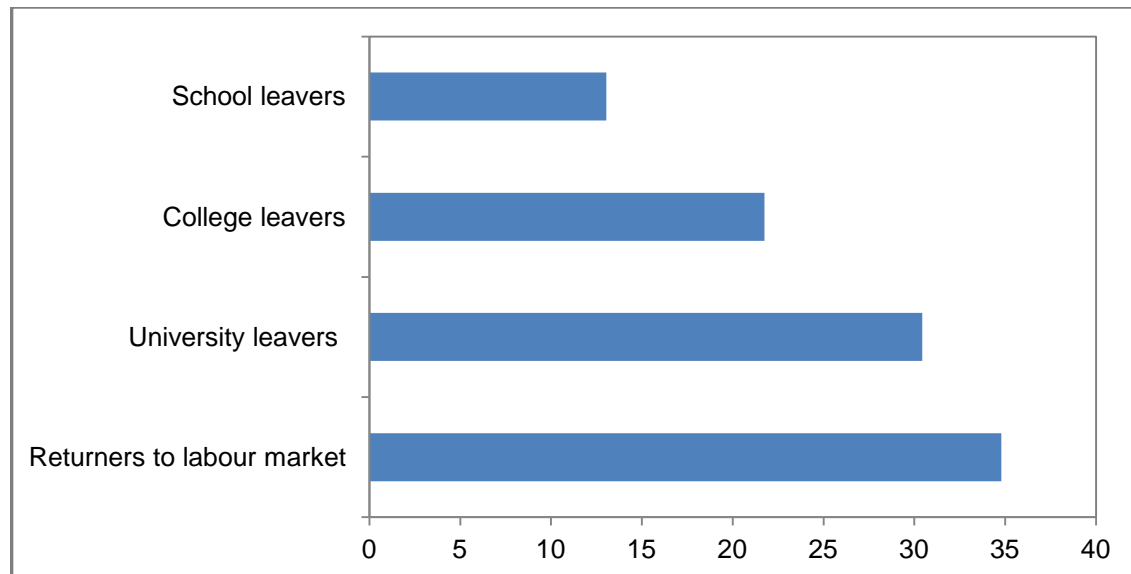
- 78% had recruited school, college or university leavers within the last 12 months.
- 34% had recruited individuals returning to the labour market after a period of unemployment, ill health or caring for children over the last 12 months.

Employers that had recruited school, college or university leavers or those returning to the labour market over the last 12 months were asked about how well prepared for the world of work they considered these individuals to be.

- Just 13% agreed that school leavers were well prepared for the world of work.
- Slightly higher proportions agreed that college and university leavers were well prepared for the world of work – 22% and 30% respectively.
- 34% of employers that had recruited returners to the labour market such as the unemployed or those that had taken a time off to look after children felt that they were well prepared for the world of work.

This suggests that school, college and university leavers and returners to the labour markets are not highly regarded by employers within this sector – so a key priority going forward must be to ensure that these are better equipped for the needs of business services employers. However, it should be noted that these figures are significantly below those reported in the UKCES Employer Skills Survey 2013, which found that 62% of Business Services establishments rated Scottish school leavers as ‘very well’ or ‘well’ prepared for work, 78% considered college leavers ‘very well’ or ‘well’ prepared and 80% considered university leavers ‘very well’ or ‘well’ prepared for work.

Figure 22: % of Employers Taking on School, College and University Leavers and Returners to Labour Market Agreeing They Are Well-prepared for World of Work



Source: E-survey of Business Services Employers

Looking forward:

- The majority anticipated their staff numbers to increase over the 12 month and 3 year time period (43% and 39% respectively).
- Most of the rest anticipated that staff numbers would remain the same (36% and 18%).
- Only a small number anticipated that employment within their organisation would decline over the next 12 months (14%) but a much larger proportion felt that staff numbers would decline over the next 3 years (29%).

A small number felt unable to comment on how staff numbers would change.

Skills of Current Workforce

Employers were asked about the the proficiency of their current staff.

- 4% felt that all staff were fully proficient in their jobs.
- 56% felt that between 80% and 99% were fully proficient.
- 24% felt that between 60% and 79% were fully proficient.
- 4% felt that between 40% and 59% were fully proficient.

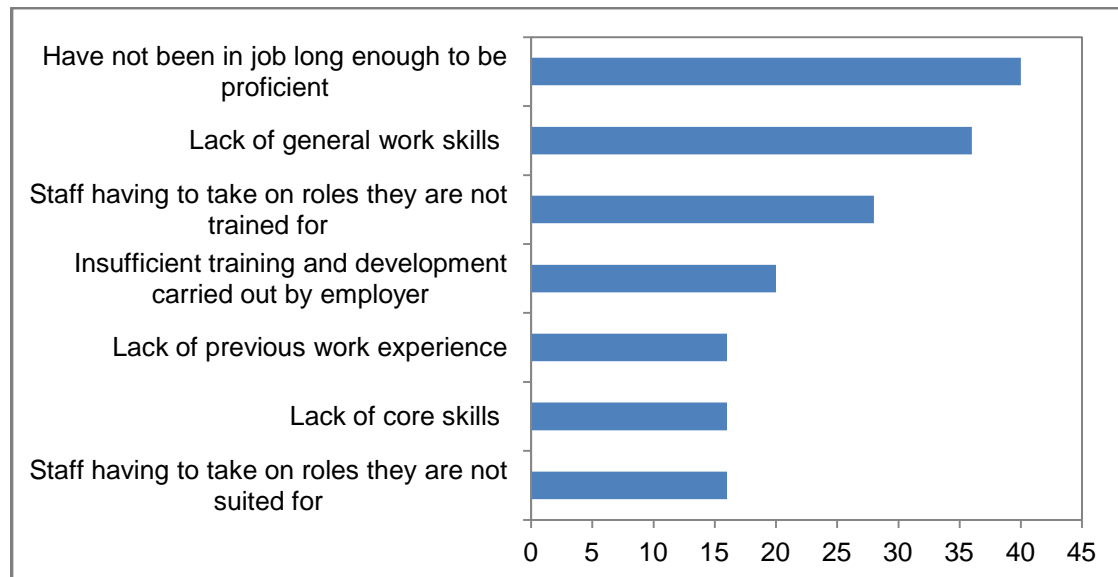
Overall, this is a relatively positive finding with most employers feeling the majority of their staff were fully proficient. This may reflect the high proportion of larger employers within the survey – as these tend to have the structures and processes in place to ensure staff are able to access the training they require.

The main reason given for individuals not being fully proficient is that they have not been in the job long enough to be proficient. There are likely to be two factors here – firstly the high levels of turnover within some sub-sectors (most notably contact centres) and the time it takes to gain professional competencies in others (such as accountancy). Other common reasons given for staff not being fully proficient included:

- Lacking general work skills (such as the ability to work in a team) – mentioned by 36% of employers.
- Staff having to take on roles they are not trained for – mentioned by 28%.

In addition, 20% of employers recognised that they did not carry out sufficient training and development for their staff to be fully proficient.

Figure 23: Main Reasons for Staff Not Being Fully Proficient (%)



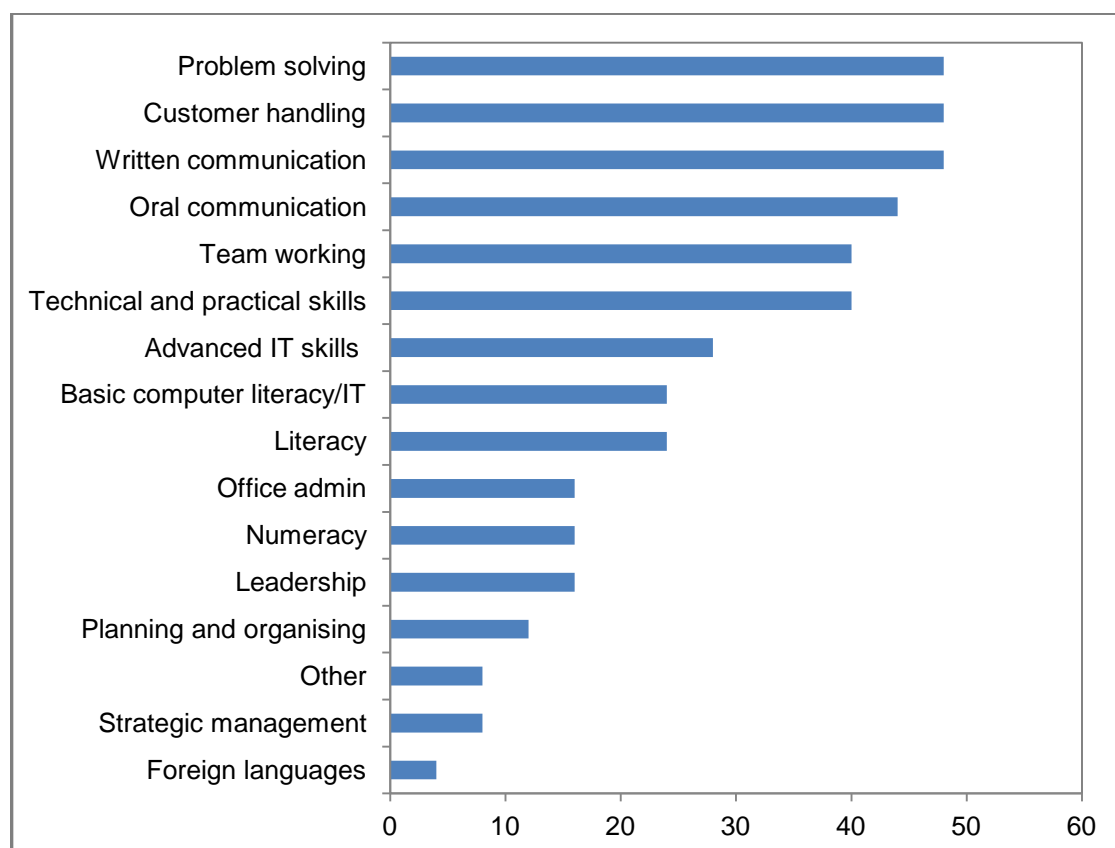
Source: E-survey of Business Services Employers

The main areas of development that are required to make staff fully proficient in their roles include improving:

- Problem solving skills – mentioned by 48% of employers.
- Customer handling skills (48%).
- Written communication skills (48%).
- Oral communication skills (40%).

However, perhaps the more notable finding here is that there are a wide variety of skills that are lacking – with these encompassing everything from core skills (literacy, numeracy, basic IT) through to technical skills to do a specific job.

Figure 24: Main Areas of Development Needed To Ensure Staff Are Fully Proficient (%)



Source: E-survey of Business Services Employers

Employers were also asked how important they thought a range of skills issues would be to their business over the next 3 years. For each issue, they were asked to rate it from '1' if it was not at all important through to '5' if it will be very important to their business over the next three years. An average of these scores was then calculated.

- Most skills issues had a score above the mid-point of '3' suggesting that a wide range of skills issues will play a part in the success of the sector over the next 3 years.
- By far the most important issue for employers was having staff with good customer service skills – with this receiving an average score of 4.27.
- Having skills to make use of new technologies to improve business processes was also highly ranked with an average score of 4.14, as was improving the leadership with an average score of 4.09.
- A number of issues that had been raised in the literature such as raising the awareness and attractiveness of the sector were not seen as important by the surveyed employers.

Figure 25: Importance of Skills Issues to Surveyed Businesses Over Next 3 Years (Using Scale Where 1 is 'Not At All Important' and 5 is 'Very Important')

Skills Issue	Average score
Having staff with good customer skills	4.27
Having skills in place to make use of new technologies to improve business processes	4.14
Improving leadership within our business	4.09
Being able to recruit staff that can add value from Day 1	3.90
Having skills in place to make use of new technologies to engage with clients	3.86
Improving the business acumen of our staff	3.86
Improving management within our business	3.82
Having staff that are able to adapt to new working practices	3.82
Having skills in place to be able to respond to Government legislation and regulation	3.68
Having skills in place to understand customer motivations and expectations	3.64
Improving project management skills	3.55
Improving financial management skills	3.48
Broadening the range of recruits	3.48
Having skills in place to identify and respond to market opportunities	3.36
Making it easy for staff to keep up-to-date with professional practice	3.36
Improving attractiveness of our sector to potential recruits	3.18
Helping employers to share good practice on recruitment	3.05
Raising awareness of our sector amongst potential recruits	2.91
Having skills in place to make more efficient use of resources	2.86
Having skills in place to enable us to export	1.64

Source: E-survey of Business Services Employers

Training and Development

19 employers providing information about the training and development they offered their staff. Of these 14 (or 73%) employers were accessing training and development for their staff, with the main sources being:

- 9 had used a private training provider.
- 8 had accessed training or skills development from a professional body (e.g. ACCA).
- 2 had accessed training from a college or university.

In addition, some were participating in a range of government employment or skills programmes and schemes.

- 8 had taken on Modern Apprentices.
- 5 were working with local employability partnerships and 3 were participating in the Work Programme to help support unemployed individuals back into work.
- 2 were using Flexible Training Opportunities funding.

In addition:

- 10 were working with universities.
- 9 were working with schools.
- 8 were working with colleges.

9 employers (47% of those answering the question) felt that they were able to access training and development that met **all** of their needs. Looking at the others:

- 6 (32%) felt that available training and development met **some** of their needs.
- 4 (21%) said that the training and development they need is **not available**.

The key types of training employers have been unable to access are:

- Customer care.
- Apple Mac certification.
- Data/business analysis.
- Advanced spreadsheet development.

In addition, a number of employers flagged up that whilst training is available, it is not available within their local area – making it difficult for them to access this.

Figure 26 shows the extent to which employers feel providers are meeting their needs:

- 10% agree that education and training providers ask them about their employment and skills needs.
- 18% agree that education and training providers listen to and understand their employment and skills needs.
- 9% agree that education and training providers respond to their employment and skills needs.

This suggests much more needs to be done to ensure that employers feel engaged in – and have confidence in – the training on offer for their sector.

Figure 26: Employer Perceptions of Education and Training Providers Ability to Meet Employment and Skills Needs (% of Employers)

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree	Don't Know
Education and training providers...						
...ask us about our employment and skills needs	5	5	55	18	14	5
...listen to and understand our employment and skills needs	0	18	55	5	14	9
...respond to our employment and skills needs	0	9	68	0	14	9

Source: E-survey of Business Services Employers

The main ways that in which training and development could be improved included:

- Providing training that can be delivered in a practical way – i.e. relating to actual job tasks rather than theoretical examples. Ideally, this would involve trainers delivering within the workplace rather than in an external setting.
- Providing training across the country – rather than just in major cities.
- Ensuring training recognises changing customer profiles and needs and/or new processes and products.

Feedback from Interviews with Employers and Stakeholders

In-depth interviews have also been undertaken with a number of employers and key stakeholders (including Scottish Financial Enterprise, ACCA, Glasgow Economic

Leadership Financial and Skills Workstream, Financial and Legal Skills Partnership and University of Highlands and Islands). The employers interviewed were primarily large employers (typically with over 100 employees) or involved in a growth sector (such as legal process outsourcing). In this section, the key feedback from the interviews is summarised. More detailed feedback by sub-sector is set out in the next chapter.

Recruitment

There was no consistent picture across the employers interviewed about whether they were facing problems in recruiting – and, if so, the problems they were facing. For example, some contact centres struggled to recruit due to the reputation of their sector – but others felt that as a result of their good local reputation as an employer, this was not an issue. Whilst accountancy and legal firms generally did not struggle to recruit into entry level posts, at a more senior level, employers can find it difficult to recruit individuals with specialist skills or with appropriate management experience. This was also an issue in contact centres and other BPO/ITOs. The key issue here is that the pool of specialised labour is normally quite small within Scotland, meaning there is high competition for these individuals is strong. A key issue that emerged across a number of interviews was the need for better communication skills and the need to develop the IT skills of the workforce.

Skills of Current Workforce

Reflecting the UKCES data and the e-survey, a high proportion of the interviewees felt that all or the majority of their staff were fully proficient – and where individuals were not, this was normally attributed to them being new in post. Those skills that were identified as lacking varied considerably across sub-sectors – with, for example, communication skills a key issue within legal and product knowledge a key issue within contact centres.

Future Employment and Skills Needs

In terms of future employment and skills needs, there are substantial differences between the sub-sectors. For accountancy and legal, the skills requirements are likely to stay broadly similar to the past – but there will be an increasing need for management skills and business acumen amongst staff. Another key issue raised by some consultees was the need to diversify, for example, by encouraging more women, ethnic minorities, etc. to the sector. In addition, firms need to look at more diverse recruitment methods – such as recruiting Modern Apprentices as well as graduates. In relation to contact centres, BPO and ITO the future skills needs are being predominately driven by the increasing complexity of the business processes being managed. This will require better customer handling skills (driven by ‘active listening’), IT skills and management skills.

Training and Development

Most of the employers interviewed as part of the study were medium (50-249 employees) or large (250+ employees). In general, these firms were relatively self-sufficient and did not look to external providers for training. Linked to this, in general these employers struggled to identify how public sector providers could support them in ensuring they have the labour and skills they need to achieve their growth potential. However, some common themes that did emerge included:

- Many feel that the provision is complicated – with lots of different products and providers meaning that they do not necessarily know what is out there or how to access. Some employers said would welcome help to navigate what is available.

- Similarly, many employers are keen to build relationships with schools, colleges and universities and training providers (e.g. in relation to Modern Apprentices) – but need help to do so.
- Given the importance of IT to the business services sector, a number of consultees raised concerns about the lack of focus on IT within schools and would like to see this addressed.

One other issue raised was that Skills Development Scotland's website would benefit from:

- Providing linkages to private sector providers (such as recruitment consultants) as well as public sector provision. This is critical for credibility as many business services employers work with these providers more often than the public sector (and often rate their insights and services more highly).
- Providing linkages to public sector provision in the rest of the UK. This is important as many employers operate across the UK and find websites that only provide part of the picture frustrating.

Priority Skills Issues

Two workshops were held to discuss the key findings of the research and agree the skills issues that were most important and where action was needed to tackle these. The workshops were attended by representatives from Scottish Government (Workshop 1 only), Skills Development Scotland, Scottish Enterprise, Highlands and Islands Enterprise, Scottish Development International, Scottish Financial Enterprise, ACCA Scotland, Contact Centre Association (Workshop 1 only) and Glasgow Economic Leadership Financial and Business Services People and Skills Sub-group (Workshop 1 only).

The agreed skills priorities were to:

- Tackle key skills shortages in relation to:
 - Customer service skill.
 - Communication skills – especially amongst young people.
 - Knowledge and ability to use IT.

Addressing these skill shortages will require developing the skills of both current and potential staff and ensuring that the Scottish sector is attractive to those that already have the skills but currently work outside the sector or in another geographic area.

- Raise awareness of the range of careers within the sector and the different routes into the sector (including Modern Apprenticeships). In particular, there is a need to challenge negative perceptions of careers in the contact centre and ITO sub-sectors.
- Ensure opportunities exist to develop the management and leadership skills within the sector. This will be particularly important in businesses that are projecting business growth.
- 'Big data' will be increasingly important to the success of businesses in the sector. However, few businesses fully understand how this will impact on the skills they will need over the medium to long-term. Work is needed to help businesses understand the implications of big data for their employment and skills needs. This should then be used as a basis for reviewing and amending skills provision to ensure it meets these changing needs.
- Many employers felt that it is currently difficult to find out what support is available around upskilling their workforce and others perceived support to be difficult to access. Whilst this issue is not unique to the business services sector, it does suggest that a simpler system is needed – and in particular that it is easy for employers to find information that specifically relates to their sector.

Key Findings

1. Both the UK Commission for Employment and Skills' Employer Skills Survey and the e-survey and one-to-one interviews undertaken for this study show that the majority of hard-to-fill vacancies are due to skills shortages. The main skills shortages are in:
 - The technical skills required to do the job.
 - Customer service skills.
 - Communication skills (especially amongst young people).
 - Knowledge and ability to use IT.
2. As outlined in Chapter 2, the sector is projected to grow by 12% between 2012 and 2022 and many of the employers participating in this research were projecting growth – and anticipated needing to recruit more project and operations managers going forward.
3. Few of the employers participating in the research reported skills gaps within their existing workforce – although the high turnover in contact centres alongside the large proportion of graduate trainees in law and accountancy meant that not all staff were fully proficient.
4. One skill that many employers mentioned that their current staff lack – and that will become increasingly important going forward – is business acumen or commercial awareness (for example, accountants being able to pull out the key business implications of financial analysis).
5. Looking forward, the increasing complexity of processes and products is changing the skills employers need. In particular, there is a need for staff with:
 - The ability to use IT. For example, multi-channel platforms used by contact centres require staff to have good basic IT skills.
 - Strong empathy and 'active listening' skills are needed to address the more complex customer queries that businesses are dealing with.
 - The ability to work across disciplines.
 - Adaptability and the ability to learn.
6. Many of the employers interviewed for this research or that took part in the e-survey felt that they had good access to training through internal systems or professional bodies and that there was no strong need for public sector to intervene. The key areas they felt there would be value in taking action to address were:
 - Simplifying the support on offer – or provide easier ways to find and access the support needed.
 - Helping build linkages between employers and schools, colleges, universities and training providers.
 - Developing the skills of young people to ensure they better meet needs of employers, with a particular focus on developing communication and IT skills and ensuring young people gather practical experience through work placements.

4. SKILLS ISSUES IN SUB-SECTORS

Introduction

The business services sector is extremely diverse – ranging from high value activities in the accountancy and legal services through to the collection of coins from parking meters. Figure 27 below shows the Scottish Government's definition of the business services sector. In terms of the e-survey and one-to-one interviews undertaken for this research, these have focused on a number of specific sub-sectors:

- Accountancy services.
- Legal services.
- Contact centres.
- Business process and IT outsourcing.

Technically, contact centres are part of the BPO sector – but given the unique nature of these, they have been considered separately. As such, the elements of BPO considered here relate to other business processing services such as finance, legal and HR.

Figure 27: Definition of Business Services

- SIC 69.1: Legal activities
- SIC 69.2: Accounting, bookkeeping and auditing activities; tax consultancy
- SIC 70.2: Management consultancy activities
- SIC 71.129: Other engineering activities (not including engineering design for industrial process and production or engineering related scientific and technical consulting activities)
- SIC 73.2: Market research and public opinion polling
- SIC 74.3: Translation and interpretation activities
- SIC 78.109: Activities of employment placement agencies (other than motion picture, television and other theatrical casting) not elsewhere classified
- SIC 78.3: Other human resources provision
- SIC 82.1: Office administrative and support activities
- SIC 82.2: Activities of call centres
- SIC 82.3: Organisation of conventions and trade shows
- SIC 82.91: Activities of collection agencies and credit bureaus
- SIC 82.99: Other business support service activities not elsewhere classified

Source: Scottish Government Growth Sectors Database

Figure 28 shows the numbers employed in the key sub-sectors.

- Overall, the sub-sectors that have been identified as being critical to the future growth of the sector account for 44% of employment in the sector.
- Legal services are the largest sub-sector within business services, employing almost 20,000 – 16% of employment in the sector.
- The accountancy sub-sector employs 16,000 – accounting for 13% of employment in business services.
- Call centres employ a further 12% of those in the sector – with almost 15,000 employed in this sector.
- Business process and IT outsourcing are not effectively captured with the SIC codes. This is partly a result of the rapidly evolving nature of this sector (with SIC codes not having caught up with these changes). Another issue is that Scotland has been successful in attracting shared service centres – which are allocated to the SIC of their parent company (for example, a finance shared service centre for an energy company will be allocated to

energy, not BPO). Other HR services employ 500 and other admin and support employs 1,800.

Figure 28: Business Services Employees by Key Sub-Sector, Scotland 2013

	Number of Employees	% of Business Services Employment
Accountancy	16,000	13.2
Legal	19,900	16.4
Call Centres	14,790	12.2
Other HR	500	0.4
Other Admin and Support	1,800	1.5
Business Services Total	121,500	100.0

Source: Business Register and Employment Survey

This chapter will now look at the evidence on each of these sub-sectors in turn.

Accountancy

A number of studies⁵ have been undertaken on the key issues that will face the accountancy sector going forward. These include:

- Technology and automation will drive business efficiency in compliance activities, which will mean less need for routine, low value accounting activities.
- Compliance becomes a commodity and thereby forms part of a volume/price driven market. Activities may increasingly be 'outsourced'.
- Outsourcing can also be an opportunity for accountancy firms as firms in other sectors look to outsource their in-house bookkeeping and accounting functions.
- Increase in competition from associated business types such as banks, financial service companies, software and internet firms, and consultants. For example, business consultants which have delivered leadership, management, marketing, sales and HR activities could expand into accountancy activities.
- In view of above, accountancy firms need greater marketing and sales focus to generate new business.
- Accountant firms and professionals should also take on new roles as consultants and advisors in providing performance management, decision support, and IT advice.

Employer Survey

In total, 11 accountancy employers participated in the e-survey. As the numbers completing are small, it important to use the findings with care. As Figure 29 below shows:

- A wide range of jobs have proved difficult to fill – ranging from the core role of accountant to more specialised roles in corporate tax, corporate governance, risk assessment and pensions administration. In addition, some employers were having difficulty in filling roles as business analysts and data scientists.

⁵ Proactive Accountants Network (x) *The Future of the Accounting Profession*; and Intuit (2013) *The Intuit 2013 Future of Accountancy Report*.

- In terms of the skills candidate lack, the key issues are around specific technical skills – such as knowledge of governance, risk management or pension administration.
- For most employers, the roles they would be recruiting for over the next 3 years were similar to those they had been recruiting for in the last 12 months.
- In addition, employers were asked about the skills they would need to recruit for over the next 3 years if their business was to achieve its aims. Again, technical skills such as audit are critical, alongside issues such as data analysis.

Figure 29: Recruitment Issues Facing Accountancy Employers

Hard-to-fill vacancies	<ul style="list-style-type: none"> • Accountants (including part-qualified and senior) • Pensions administrators • Business analysts • Tax assistants • Tax managers • Accounting processors • IT developer • Data scientists • Proposal writer • Corporate governance and risk advisors/officers
Specific skills lacking in candidates for hard-to-fill vacancies	<ul style="list-style-type: none"> • Knowledge of governance and risk management • Pensions administration and management • Spreadsheet development skills • Experience of working within a similar organisational culture
Main vacancies anticipated over next 3 years	<ul style="list-style-type: none"> • Accountants (including part-qualified and senior) • Accounts assistants • Bookkeepers • Pensions administrators • Spreadsheet developers • Business analysts • IT • Payroll manager
Skills need to recruit to achieve business objectives over next 3 years	<ul style="list-style-type: none"> • Audit • Bookkeeping • Digital service delivery • Payroll (with particular need for skills around auto-enrolment) • Data analysis • Stakeholder management • Spreadsheet development • Corporate governance

Source: E-survey of Business Services Employers

Employers also identified a range of specific skills that their existing staff lack – and these are shown in Figure 30 below. These include skills that could be considered ‘core’ to the subsector (such as technical accounting skills). This is likely to be because staff have not been in their role long enough to be fully proficient. A range of more general skills – such as team work, communication and problem solving were also mentioned. In addition, employers were asked about the skills they would need to develop within their existing workforce over the next 3 years if their business was to achieve its aims. These were very similar to those identified as currently lacking in their current workforce.

Figure 30: Issues with Current Workforce Faced by Accountancy Employers

<p>Skills lacking in existing workforce</p>	<ul style="list-style-type: none"> • Technical accounting • Team work • Time management • Written communication • Change management • General management skills • Problem solving • Attention to detail • Hybrid accountancy/IT skills • Governance • Leadership skills • Delegation
<p>Skills current workforce will need to develop to achieve business objectives</p>	<ul style="list-style-type: none"> • Audit • Bookkeeping and preparation of management accounts • Technical understanding of new regulations • Management • IT skills • Written communication skills • Adaptability • Team working • Work ethic • Problem solving • Attention to detail

Source: E-survey of Business Services Employers

Feedback from In-depth Interviews with Employers and Stakeholders

As outlined in Chapter 3, in-depth interviews have also been undertaken with a small number of employers and key stakeholders in the accountancy sub-sector including the professional bodies ACCA and ICAS. The key feedback from the interviews is summarised in Figure 31 below.

Figure 31: Feedback from In-depth Interviews with Accountancy Employers and Stakeholders

<p>Recruitment issues</p>	<ul style="list-style-type: none"> • In relation to young people (Modern Apprentices and graduate trainees), communication and softer skills are often lacking. • Some consultees felt that graduates would benefit from having undertaken placements from an earlier point within their degrees. • Recruiting individuals with qualifications and (more critically) experience in specialist areas – e.g. corporate tax – can be difficult. The overall pool of individuals with experience in these issues within Scotland is limited – and strong competition from other employers for these individuals.
<p>Issues with current workforce</p>	<ul style="list-style-type: none"> • Graduate trainees and Modern Apprentices are not fully proficient but they will become fully proficient during course of their training. • One concern is that whilst the majority of staff have strong technical skills, many lack commercial awareness. This makes it difficult for them to interpret the results for other parts of the business (e.g. what do they mean for R&D, HR, marketing, etc.) and contribute to foresighting and planning.

Future employment and skills needs	<ul style="list-style-type: none"> • Recruitment needs unlikely to change dramatically. • Would anticipate staff will grow and become more experienced alongside the business. • Developing skills of staff to have a more strategic and holistic view of business processes to complement their existing strong technical skills. One employer noted they were currently training staff in lean management and Six Sigma to help them develop these skills. • Regulation and legislation is increasingly important for a number of sectors – including financial services – and need to ensure the staff have the skills to help them respond to this as it comes onstream. Going beyond this, having skills to help anticipate what future regulation and skills might look like is also key.
Key changes needed to training and development	<ul style="list-style-type: none"> • Within large firms, training is predominately in-house – so supports needed are mainly about preparing individuals for the sector pre-recruitment. • Would value graduates having had opportunity to gain experience and qualifications specifically in tax. • Support to enable skilled and experienced staff to ‘convert’ to another specialism (e.g. private client to expatriate). • Help to build relationships with schools, colleges and universities. Of these, universities are generally the easiest to access.

Legal

A range of studies have been undertaken into the legal services sector⁶. The key drivers and challenges facing the sector are identified as:

- Transformation in UK firms as firms capture scale through consolidation, new firms start, new entrants from outside the legal sector, and innovative business models emerge for the delivery of legal services.
- Continued pressure on fee rates, service delivery, and a push for greater transparency on costs.
- Perceived overcapacity in the UK legal services market, which means competition for business will be intense and merger activity expected to continue.
- Increased competition from non-legal firms (Alternative Business Structures) to secure high-volume transactional aspects of legal services, such as wills, probate, conveyancing, property valuations, employment law and personal injury.
- Recession has led to a drop in traditional sources of income – i.e. conveyancing – while Government cuts have led to cuts in Legal Aid.
- Recession has also prompted a number of mergers, takeovers and closures.
- Outsourcing of more routine legal activities to lower cost ‘process units’.

A number of skills needs are identified within the literature. These include:

- Most important criteria when recruiting trainees are qualifications/degree grade; personality; experience; team player; and communication/social skills.
- Criteria when recruiting an assistant solicitor are: being able to ‘run from day one’ (i.e. experience and productive from the outset); while personality is also important in small- and medium-sized firms
- Exposure to legal aid work during traineeships is seen to be crucial
- Many law firms rely on ‘lateral hires’ from competitors, which may not be as productive as hoped and can limit progression opportunities for more junior staff.

⁶ Law Society of Scotland (2013) *Profile of the Profession 2013: Demographics and Work Patterns of Scottish Solicitors*; Law Society of Scotland (2013) *Annual Report 2013*; RBS (2014) *A Perspective in the Legal Market*; Scottish Legal Aid Board (2009) *Recruitment and Retention of Lawyers*; and Skills for Justice (2013) *Skills for Justice 2013 Employer Skills Survey: Legal Services Sector Report*.

- Perceptions among recent undergraduates and Diploma students that securing a traineeship is increasingly difficult. However, availability of trainee places is recovering after falling sharply in recessionary years
- 53% of firms have experienced difficulties recruiting trainee or assistant solicitors – with medium-sized firms having the greatest difficulties
- 72% of legal services firms not currently employing apprentices
- Females more likely to be trainees, assistants, associates and solicitor team members; while males more likely to be equity partners, consultants and directors
- Within private practice, it would appear that after 10 years' experience men's careers advance faster than women's

Employer Survey

Only 2 legal services firms have participated in the e-survey – and only one of these completed the survey. Both employed over 250 staff. The data for these companies is presented here for illustrative purposes only – as it represents the experience of just 2 companies both of whom were large employers and therefore cannot be considered representative.

Both reported hard-to-fill vacancies – and in both cases these had accounted for about 20% of the vacancies they had tried to fill in the last 12 months. The vacancies that were hard-to-fill were:

- Head of legal.
- Commercial property lawyer.
- Construction and projects lawyer.
- Financial roles (financial controllers and accountants).
- Proposal writers.
- Developers.

The main skills that employers felt were lacking in candidates for these hard-to-fill vacancies were:

- Technical expertise to do the job.
- The ability to influence, challenge or bring insights

Both employers also mentioned a lack experience of working in similar role or culture as an issue.

Only one of the legal firms identified the type of vacancies they anticipated having over the next 3 years. This firm anticipated two main types of vacancies – graduate trainees plus vacancies in a number of IT roles (including systems developers).

Again, only one legal firm commented on the skills of their current workforce. This employer felt that over 80% of their existing staff were fully proficient. The skills that were lacking in current staff included technical and practical skills, customer handling, problem solving and leadership skills. Looking forward, this employer identified no additional skills that they felt their workforce would need to develop if it was to achieve its business aims.

Feedback from In-depth Interviews with Legal Employers and Stakeholders

The Law Society of Scotland and a small number of law firms have been interviewed for this research. Their views on the key skills issues facing their sector are set out in Figure 32 below.

Figure 32: Feedback from In-depth Interviews with Legal Services Employers and Stakeholders

<p>Recruitment issues</p>	<ul style="list-style-type: none"> • In general, no major recruitment issues as large pool of good quality labour in Scotland – particularly at the entry level due to strong university provision. • However, recruiting staff with good understanding of law can be difficult. In particular, recent graduates have good theoretical knowledge but lack a practical understanding of how it operates (e.g. contracts). • Recruiting individuals with good quality written and oral communication skills can also be an issue. With legal process outsourcing, staff are often dealing with senior staff either within their own organisation or in a client company (for example, Senior Partners, General Counsel) and must be able to draft appropriate communications. • Roles can be highly stressful – so not all recruits work out. • Specialist roles can be more difficult to fill. • More junior support roles such as financial assistants can be difficult to fill. Again, a lack of communications skills can be an issue here – alongside softer skills. • One challenging area can be ensuring young people from more deprived backgrounds are encouraged to pursue legal careers. They are thought to be discouraged due to the length of time to qualify and the lack of funding to cover the Diploma of Legal Practice fees (with available funding only covering half of costs).
<p>Issues with current workforce</p>	<ul style="list-style-type: none"> • As with accountancy, most staff that lack proficiency are new to labour force and skills expected to develop over time (e.g. legal trainees). Trainee solicitors undertake a minimum of 60 hours CPD alongside the training they receive from their employer. • Law Society of Scotland requires solicitors to undertake 20 hours of CPD per annum – helping ensure skills of workforce remain current. Solicitors are able to draw on wide range of provision with the Law Society of Scotland providing some courses that would not otherwise be commercially viable. • Communication skills can be an issue – for example, ability to draft effective emails, take meeting notes, etc. • Recent graduates often need time to become sufficiently methodical and focused to deliver high quality work in short timescales (within legal process outsourcing). • Increasing use of IT means that individuals must develop additional skills in this area.
<p>Future employment and skills needs</p>	<ul style="list-style-type: none"> • The Law Society of Scotland review the content of law degrees and the Diploma of Legal Practice on a regular basis to ensure it aligns with industry needs. The last review was undertaken in 2011 – and has focused provision more strongly on developing intellectual rigour, problem solving and analytical skills. • As legal process outsourcing develops within Scotland, likely to be increasing demand for legal analysts (normally recent law graduates). More generally, there is pressure from clients to reduce costs, increasing demand for paralegals and legal executive/technicians. • As IT underpins increasing numbers of legal processes, there will be increasing demand for IT skills to build and maintain these systems. • As businesses grow, can be need for additional operations/business development roles, alongside the need for more lawyers, IT staff, etc. • There is also an increasing need for project management skills. • Businesses are generally confident they will be able to access the skills they need due to strong skills base in sector in Scotland.
<p>Key changes needed to training and development</p>	<ul style="list-style-type: none"> • Ensure full funding available to cover Diploma of Legal Practice fees.

Contact Centres

A desk-based review of the literature⁷ on the contact centre sub-sector and its skills needs has been undertaken. Looking at the drivers and challenges that will influence the sector going forward, the key issues are:

- Employment growth is expected in contact centres serving the communications sector (driven by competition for telecoms services) and the outsourcing sector (as other sectors reduce their expenditure on non-core activities).
- Scotland's contact centres are increasingly 'globalised' in their activities – more overseas HQ firms with contact centres in Scotland. 4% of Scottish contact centre workforce dedicated to providing foreign language services .
- The emergence of new customer service channels – e.g. smartphone apps and social media. This may impact on workforce in two ways: it could reduce numbers as more routine queries resolved online; but it may also place more complex demands on call centre staff – so demanding more skilled and knowledgeable workers.
- An increase in social media will place greater emphasis on quality of customer service as dissatisfaction can be widely publicised through social forums.
- Future 'flight from the middle' with top-end brands providing high quality customer service; while low-price operators provide standardised offer.
- An increase in segmented customer service strategies whereby organisations distribute resources and effort according to the value and characteristics of customers.
- Increased use of data analytics has potential to identify poorly performing agents and process failure.
- Off-shoring of some contact centre operations where the quality of service can be maintained. Examples of repatriation (e.g. from India to UK) are few.
- Need to 'do more for less' in response to pressures on customer service budgets; and increasingly demanding customers in terms of their service expectations

The literature indicates that the key skill needs of the contact centre sub-sector are:

- Good/excellent communication skills, including strong English language skills.
- Customer service skills that enable employees to relate to people as well as delivering on organisation's preferred approach to customers.
- IT and telephony skills.
- Reliability.
- Ability to work in a team.
- People skills – influencing, negotiating, life skills and active listening.
- Product and service knowledge relating to organisation's business.
- Amongst team leaders, need strong knowledge and skill set relating to the specific business of the organisation; monitoring and quality assurance functions; and generic team leader skills.

However, the sector faces challenges in accessing and retaining these skills with:

- Poor public image of contact centres – although this is seen to have improved over time.

⁷ Contact Babel (2013) *UK Contact Centres in 2014: The State of the Industry*; Customer Contact Association (2011) *The Future of Service to 2016: When Transparency Meets Customer Contact*; Customer Contact Association (2012) *Voice of the Contact Centre*; Scottish Development International (2011) *Call Centres in Scotland – Highlights of the 2011 Audit*; Skills CFA (2010) *Contact Centre Labour Market Information*.

- High staff turnover rates. Jobs seen by some as a career stopgap or stepping stone – but some evidence that this is less widespread than in the past.
- Skills shortages amongst resource planners; team leaders; and outbound calling agents with sales skills.
- Skills gaps in relation to updating and maintaining product knowledge; people and empathy skills among younger workers; and management skills.

Employer Survey

16 employers from the contact centre sub-sector took part in the e-survey. This included both back-office contact centres and those providing contact centres as an outsourced service. As the numbers participating in the e-survey are small, care must be taken around the findings. As Figure 33, the sector faces a number of challenges in terms of recruitment.

- The majority of roles that are hard-to-fill are in customer service.
- The key skills lacking in applicants for these hard-to-fill vacancies are around the ability to communicate with and empathise with customers.
- The roles that employers will need to recruit for over the next 3 years include both customer service roles and more senior management roles (in business development, sales and support functions such as HR and finance). The need to recruit managers is linked to the projected growth of the sector.
- In terms of the skills contact centre employers will need to recruit over the next 3 years to achieve their business goals. These will include both the customer service and communication skills that underpin the sector, as well as skills around planning and organising, IT and complaint handling. All of these reflect the increasing complexity of the issues being dealt with by contact centres.

Figure 33: Recruitment Issues Facing Contact Centre Employers

Hard-to-fill vacancies	<ul style="list-style-type: none"> • Customer service advisors • Customer service team leaders/co-ordinators • Outbound call agents • Sales agents • Finance/planning assistants
Specific skills lacking in candidates for hard-to-fill vacancies	<ul style="list-style-type: none"> • Oral and written communication skills • Positive attitude/motivation • Lack of real-life experience that allows them to empathise/relate to consumers • Technical skills in relation to senior roles (e.g. financial management)
Main vacancies anticipated over next 3 years	<ul style="list-style-type: none"> • Customer service advisors • Outbound call agents • Interviewers • Customer service team leaders/coordinators • Business development managers • Sales planners/managers • Senior management roles including HR and accountancy
Skills need to recruit to achieve business objectives over next 3 years	<ul style="list-style-type: none"> • Customer service • Communication skills • Digital and IT skills • Complaint handling • Planning and organising • Adaptability and ability to learn

Source: E-survey of Business Services Employers

Contact centre employers participating in the e-survey also identified the skills that their existing staff lack. Again, the key skill lacking is around customer service. As we saw earlier, contact centres struggle to recruit staff with these skills so tend to develop these post-recruitment. This skills gap is therefore likely to be linked to the time it takes for individuals to develop these skills post-recruitment. Another skills gap identified by employers is the ability to deal with more complex issues. As discussed earlier, the increasing use of technology means that queries received by contact centres are increasing in complexity. This trend will influence a number of the skills that current staff will need to develop over the next 3 years – including problem solving, complaint handling, knowledge of products and services and ability to use IT.

Figure 34: Issues with Current Workforce Faced by Contact Centre Employers

Skills lacking in existing workforce	<ul style="list-style-type: none"> • Customer service • Team working • Dealing with complex issues
Skills current workforce will need to develop to achieve business objectives	<ul style="list-style-type: none"> • Customer service • Dealing with complex issues • Time management • Problem solving • Complaint handling • Ability to utilise IT • Knowledge of products and services • Managing change

Source: E-survey of Business Services Employers

Feedback from In-depth Interviews with Contact Centre Employers and Stakeholders

A small number of contact centres (both in-house and outsourcers) were interviewed as part of this study – along with the Contact Centre Association. A summary of the key skills issues raised in these interviews is given in Figure 35 below.

Figure 35: Feedback from In-depth Interviews with Contact Centre Employers and Stakeholders

<p>Recruitment issues</p>	<ul style="list-style-type: none"> • Recruiting staff with technical skills. Where a business is providing customer support for a technology product (e.g. broadband), customer advisors need to understand how this product works to effectively assist customers with their problems. • Where employers are having trouble recruiting individuals with technical skills, employers are generally recruiting those with less expertise than they require and developing these skills in-house. This, however, takes time and has negative implications for the business (in terms of pressures on other staff and meeting contractual requirements such as time taken to respond to calls). • Some employers feel young people come with better understanding of technology than other workers (although empathy and communication less well developed). • Increasing regulation in some sectors is making the processes being dealt with more complex and requiring individuals to have a broader range of skills. For example, where a sector has regulation around sales, sales advisors also need to have knowledge of regulation, fulfil compliance checks, etc. • Some employers felt young people lack good quality written and oral communication skills and, more generally, interpersonal skills. • Within outsourcers, many sites deliver just one or two large contracts, meaning that the levels of employment can fluctuate in line with these. Some employers have gone through phases of having to lay workers off – and find that (especially if they are based in a smaller town) that this makes it more difficult for them to recruit subsequently as other sectors or businesses are seen as better options. • Recruiting for non-traditional working hours (e.g. evening and weekend shifts). There is increasing demand from consumers to get support 24-7 but employers can struggle to recruit individuals for these shifts. Where individuals take these shifts, they often do so in hope they will be able to move to Monday-Friday, 9-5 shifts after a period – leading the employer to have to re-recruit for the more difficult shifts. • High levels of staff turnover within contact centres – due to low wages and (sometimes) difficult nature of the work. • Perceptions of contact centres is still negative amongst some – although where an employer is long established and has good quality jobs and processes this can be offset.
<p>Issues with current workforce</p>	<ul style="list-style-type: none"> • Majority of skills gaps relate to individuals being relatively recent into post. This can particularly be an issue within outsourced contact centres where the turnover can be extremely high. • Where customers are being supported with a technical product (e.g. broadband), it is generally the understanding and knowledge of the technical aspects of the product that take the longest time to develop. • Within contact centres, team leaders and managers have often worked their way up through the organisation. In some cases, this can result in people being in the wrong jobs – and as the sector develops there needs to be more of a focus on identifying what skills needed at management level and either recruiting or training for these. In particular, need greater focus on negotiation and 'difficult conversations'.

<p>Future employment and skills needs</p>	<ul style="list-style-type: none"> • Within ‘advisor’ roles, a key skill required is ‘active listening’. This is particularly important as services being offered through contact centres are becoming more complex and therefore customers will not necessarily know what the problem is. Advisors therefore need to be able to listen and ask the right questions to formulate the query. In general, this is a skill employers can develop in-house – as long as they are able to get recruits with the right attributes and behaviours (e.g. patience, ability to communicate, problem solving skills). • The shift towards ‘multi-channel’ centres will require staff to have skills to use range of channels (e.g. undertake webchats, Skype, use apps to support clients, etc.). • The increasing complexity of services delivered will also require staff that are more flexible with the ability to work across what were previously distinct roles (e.g. individuals are less likely to be a sales agent, customer service or B2B specialist than in the past). • A number of employers we interviewed anticipated growing substantially over the next 3 years. Whilst this will include growth in all types of occupation – especially in ‘advisor’ roles – the increasing size and complexity will also mean more operations, project management, client management, training and HR staff will be needed. In general, employers were confident they would be able to recruit into these roles. • In addition, will be increasing need for individuals able to undertake highly specialist roles in Interactive Voice Response (IVR) technologies, speech analytics and data insights. Whilst the numbers recruited will be small, these are key skills that are going to underpin future success of the sector. As these are highly specialist, the numbers of individuals with skills will be limited – and competition likely to be high. Most likely to be filled by those from outside Scotland. • Developing product knowledge – as this is critical to providing good customer service.
<p>Key changes needed to training and development</p>	<ul style="list-style-type: none"> • Most use in-house training – and do not actively seek support from the external market. • Some employers appeared to have strong relationships with local DWP offices or Local Employability Partnerships – which were helping them in recruiting into entry level roles. • Increasing level of understanding of technology amongst labour force. Young people tend to have better understanding than older people – so focus should be on older people. • Ensuring young people develop communication and problem solving skills.

Business Process and IT Outsourcing

The final sub-sector that we examined is business process outsourcing (BPO) and IT outsourcing (ITO). Again, these services can be delivered either by outsourcing specialist or in-house (through shared service centres and captive businesses). Technically, contact centres are part of the BPO sector – but given the unique nature of these, they have been considered separately. As such, the elements of BPO considered here relate to other business processing services such as finance, legal and HR.

Employer Survey

19 employers participated in the e-survey. As with the other sub-sectors, the small numbers from this sub-sector taking part mean care must be taken in utilising the findings of the survey.

- The majority of roles that have proved hard to fill over the last 12 months have been around IT – although there are also some skills shortages around customer service and in specialist areas (e.g. HR manager with foreign language skills).
- The key skills lacking in applicants for hard-to-fill vacancies are around the knowledge and experience of IT systems. In addition, customer service and foreign languages are important for some employers in this sub-sector.

- Looking forward, employers in the BPO and ITO sector will be looking to recruit to a wide range of different roles including in customer service, IT and specialist business functions (such as HR and finance). In addition, they will have a need for business development managers – to manage the relationships with their clients (internal and external).
- To achieve their business objectives, businesses in the BPO and ITO sub-sector, will need to recruit individuals with skills in customer service, business development, IT, languages and finance. An ability to recruit individuals with softer skills – such as an ability to work in a team or to learn – will also be important.

Figure 36: Recruitment Issues Facing BPO and ITO Employers

Hard-to-fill vacancies	<ul style="list-style-type: none"> • IT helpdesk engineers • IT helpdesk advisors • IT engineers (infrastructure and build) • Customer service advisors • HR manager with foreign language skills
Specific skills lacking in candidates for hard-to-fill vacancies	<ul style="list-style-type: none"> • Experience in customer service/handling • Lack of specific IT accreditation or experience (e.g. Linux administration, MS Software) • Lack of knowledge of specific elements of IT (e.g. server infrastructure, web technologies, virtualisation) • Professional qualifications (e.g. accountancy) • Fluency in foreign languages
Main vacancies anticipated over next 3 years	<ul style="list-style-type: none"> • Customer service advisors • Helpdesk engineers • Business analysts • HR officers/managers with language skills • Financial manager/ accountant • Training officers (with focus on e-learning) • Business development managers
Skills need to recruit to achieve business objectives over next 3 years	<ul style="list-style-type: none"> • Customer service • Business development • IT accreditation (e.g. MS Office, Win7) • Foreign languages • Financial reporting • Ability to learn • Ability to work as part of team

Source: E-survey of Business Services Employers

BPO and ITO employers were also asked to identify the skills that their existing staff lack. The only skills gap that was identified was around information management. Looking forward, the skills that BPO and ITO employers felt their existing staff would need to develop were around the ability to use IT and customer service.

Figure 37: Issues with Current Workforce Faced by BPO and ITO Employers

Skills lacking in existing workforce	<ul style="list-style-type: none"> • Information management
Skills current workforce will need to develop to achieve business objectives	<ul style="list-style-type: none"> • Ability to utilise IT • Knowledge of IT systems or processes used by business • Customer service

Source: E-survey of Business Services Employers

Feedback from In-depth Interviews with BPO and ITO Employers and Stakeholders

A small number of BPO and ITO employers (both in-house and outsourcers) were interviewed as part of this study. Their feedback on the key employment and skills issue they face are set out in Figure 38 below.

Figure 38: Feedback from In-depth Interviews with BPO and ITO Employers and Stakeholders

<p>Recruitment issues</p>	<ul style="list-style-type: none"> • Tasks being dealt with by BPO and ITO are becoming increasingly complex (with more simple tasks being dealt with through self-serve mechanisms on web and apps) meaning greater need for communication, empathy, problem solving and technical skills amongst recruits. <ul style="list-style-type: none"> – Employers had range of experiences in recruiting for these roles – with some finding it relatively easy and others experiencing difficulties (especially around technical skills). – In some cases, the employers noted that they recruited individuals with the right attitudes and motivations and then trained them in-house in the skills needed. However, this tends to only be an option with lower level posts. • Lack of specialist IT skills within Scotland is a particular issue. There is an overlap here with the SIP for ICT and digital technologies. This is thought to originate from a lack of exposure to IT and STEM subjects more generally within schools – meaning few choose appropriate options at university. Linked to this, there appear to be few opportunities to convert (for example) a maths graduate into a technologist post-university. There are gaps at all levels – from entry level IT helpdesk advisors through to developers and senior managers within IT. • Accessing project managers with the right skills (i.e. focused on delivery and financial management) can be challenging. • Accessing experienced managers. For many businesses that are outsourcing or consolidating activities within a single centre in Scotland, a key issue can be the number of senior individuals with the skills and experience they need within the Scottish market. Larger firms are able to ‘grow their own’ – but smaller firms do not have same capacity to do so. • Linked to this, some potential recruits lack experience of the kind of business the outsourcer is supporting.
<p>Issues with current workforce</p>	<ul style="list-style-type: none"> • Generally feel staff have skills they required – or are in the process of developing them. One ITO employer felt that whilst they had a number of staff that are not fully proficient that this reflected their focus on recruiting for attitude and then training in specialist IT systems and processes they used in-house. • Where individuals do not have experience of the sector that they are providing support for, a key development need can be to help them gain this experience, for example, through short placements/job shadowing.

<p>Future employment and skills needs</p>	<ul style="list-style-type: none"> • Business processes being dealt with are becoming increasingly complex – so skills will need to develop in line with these. This leads to fewer jobs that have entry level skills and increasing numbers that require more complex skills. • Increasing need for staff to understand the businesses of their clients so they can effectively support as outsourcers. • There will be an increasing need for staff to have analytical skills to help support their clients. For example, for finance back offices, understanding technical accounting is only part of job – increasingly, the need to be able to interpret what this means for the business will be critical. • Increasing need for cross-functional knowledge and understanding to develop better processes and services for clients. • Linked to this, project and process management will be a key skill going forward with an increasing focus on lean management and reducing costs/waste within processes. • Large volume of data is being collected on individuals and analysis and interpretation of this data will be key source of future competitive advantage – will be increasing need for individuals with the skills to do this. • In terms of back office functions for investment, need for management certification for managers (the current Chartered Institute of Securities qualification does not include a management aspect). • Ensuring staff have skills to respond to – and anticipate – changes in regulation and legislation. • A number of interviewees felt there were significant opportunities around the transfer of services from London and the South East to Scotland – as a lower cost but high quality, well skilled location. However, failure to exploit existing networks is limiting the extent to which this is happening – suggesting improving networking skills will be critical to long term success for the sector.
<p>Key changes needed to training and development</p>	<ul style="list-style-type: none"> • Many of the employers interviewed were part of large multi-national companies and therefore had good internal training provision that they could draw upon. • Some work could be done to make college/university courses more relevant to the needs of businesses including ensuring students achieve vendor certifications (e.g. Microsoft, Oracle, SAP) and ITIL accreditation. • Some interest in higher level apprenticeships in IT.

Key Findings

Accountancy

1. In general, the accountancy sector does not face any major issues in terms of recruitment – although some employers have identified issues in accessing individuals with particular specialist skills including pensions administration, corporate tax and governance and risk.
2. A number of interviewees suggested that it was important to broaden recruitment into the sector in terms of:
 - The types of individuals recruited – to ensure they reflect Scottish society as a whole.
 - Making sure all routes into the sector (i.e. both apprenticeships and graduate training schemes) are known and utilised.
3. Current staff were generally seen as proficient. Looking forward, employers felt there was a need to:
 - Develop the commercial awareness of existing staff.
 - Develop management and leadership skills.
 - Develop IT skills to enable business processes to be improved.

Legal

4. Few recruitment issues were identified in relation to legal services – reflecting the large pool of graduates from Scottish universities in law. Where employers did note problems recruiting, these were primarily around:
 - Recruiting individuals that can contribute from Day 1.
 - For new entrants, employers found that they often did not have a practical understanding or experience of the law and lacked written and oral communication skills.
5. The growth of legal process outsourcing (LPO) is going to increase the need for legal analysts within Scotland – but employers were confident they will be able to access these skills given the large number of law graduates and good quality skills these individuals have.
6. In general, existing staff are seen as proficient – although some employers did note that new entrants take time to develop communication skills, time management and focus.
7. Looking forward, increasing use of IT will mean existing staff will need to develop skills in this area.

Contact Centres

8. In relation to recruitment:
 - The key challenge is recruiting customer service advisors. These roles require good communication and customer service skills – but attitude and motivation are also critical.
 - However, the poor image of contact centres and low wages can reduce appeal of sector.
 - Some employers also reported problems recruiting senior managers – with the image of the sector also seen as a key issue here.
9. Looking forward, the growth of sub-sector will mean there will be increasing demand for:
 - Managers.
 - Individuals to fill highly specialised roles – e.g. IVR technologies, data analysts.
10. In terms of the skills of the current workforce, the key skills gap is around customer handling skills. Developing these skills will become increasingly important as the issues they deal with become more complex. In particular:
 - Active listening skills will become even more important.
 - Staff will need to become more flexible – working across roles and functions.
 - Staff will need to develop their product knowledge.
 - The shift to multi-channel will mean employers will need to develop the IT skills of their staff further.
11. In addition, given the growth of the sector and the increasing complexity of the services offered, there will also be a need to develop the skills of managers within the sector.

Business Process and IT Outsourcing

12. In terms of recruitment, the key challenge facing firms on the BPO and ITO sub-sector is around accessing staff with IT skills.

- Problems were identified at all levels – from IT helpdesk to senior developers (although not necessarily within the same employer).
- The problem appeared to stem from there not being enough individuals with these skills (especially more specialised and in specific geographic areas).

13. Employers in this sub-sector also noted difficulties in recruiting:

- Individuals with appropriate customer service skills.
- Individuals with appropriate project management experience.
- Individuals with specific expertise (e.g. HR, finance, languages, etc.).

14. Looking forward, the shift to higher value added processes and activities will mean employers will have to develop the skills of their staff to meet changing needs. In particular, skills are needed to:

- Understanding client's business and processes and being able to identify where costs/waste can be stripped out.
- Make use of ICT.
- Analyse data being collected about customers.
- Anticipate and respond to regulatory changes.

5. SKILLS SUPPLY FOR BUSINESS SERVICES

Introduction

Chapter 3 demonstrated the demand for skills within the business services sector – with Chapter 4 looking at the demand for skills in 4 key business services sub-sectors. A key consideration is whether there will be sufficient supply to meet demand. In broad terms, this involves:

- Attracting individuals to the sector – including both young people leaving school, college and university and career changes.
- Retaining individuals already working in the sector.
- Ensuring those entering or already working in the sector are able to develop the skills required by employers.

This chapter will focus on the first of these – examining the numbers of individuals entering the sector through:

- Modern Apprenticeships.
- College.
- Higher education.

The challenge in examining the supply of skills into business services is that – with a few notable exceptions such as accountancy and law – many of the subjects that are relevant to business services (such as business and ICT) also supply labour to other sectors. This could mean that, for example, there is a large expansion in the numbers studying these subject areas but the business services sector continuing to have skill shortages due to its relative attractiveness compared to other sectors.

Modern Apprenticeships

Figure 39 shows the number of Modern Apprenticeship (MA) starts in subjects relevant to the business services sector in each year from 2009/10 to 2013/14.

- Only two MA frameworks specifically relate to business services – accounting and professional services (which includes audit, tax, management consulting and management accounting pathways). However, as the MA in professional services was only approved in 2014, data is not available on this framework.
- The accounting MA had 80 starts in 2013/14. The number of starts on this framework has fluctuated on a year-by-year basis.
- A number of other MAs develop skills relevant to business services – including some (business and administration, customer services and contact centres, management) with large number of starts. However, as noted above, care needs to be taken in drawing conclusions from the number and trends associated with these MA frameworks as they are used by wide range of sectors.
- In total, subjects relevant to business services account for 21% of all MA starts. This figure has stayed relatively stable over time.
- The number of MA starts has grown by 25% between 2009/10 and 2013/14. The growth of MA starts in subjects relevant to Modern Apprenticeships has grown by a similar amount – 28%. However, this conceals significant variations across frameworks with, in particular, some of the smaller frameworks growing dramatically. One area for concern is that the number of customer service and contact centres MAs has fallen by 44% over this period.

Figure 39: Modern Apprenticeship Starts, 2009/10 to 2013/14

MA Framework	2009/10	2010/11	2011/12	2012/13	2013/14	% Change 2009/10 to 2013/14	% Change 2012/13 to 2013/14
Accounting	18	31	109	57	80	344.4	40.4
Business and administration	908	1,731	1,797	2,062	2,175	139.5	5.5
Contact centres	54	12	17	-	-	-	-
Customer services and contact centres	2,018	2,254	1,465	1,498	1,130	-44.0	-24.6
ICT profession	30	196	344	468	95	216.7	-79.7
IT and telecommunications	-	-	-	-	425	-	-
IT users	175	73	-	-	-	-	-
Management	918	1,250	1,703	1,100	1,034	12.6	-6.0
Providing financial services	9	167	133	162	349	3777.8	115.4
MAs relevant to Business Services	4,130	5,714	5,568	5,347	5,288	28.0	-1.1
All MAs	20,216	21,561	26,427	25,691	25,284	25.1	-1.6
MAs relevant to Business Services as a % of All MAs	20.4	26.5	21.1	20.8	20.9	-	-

Source: Skills Development Scotland Modern Apprenticeship Statistics

Notes: 1. MA framework in 'Contact centres' was subsumed into 'Customer services and contact centres' in 2013.

2. MA framework in 'IT users' lapsed and was not re-approved. This reflects the increasing use of IT across all occupations.

Looking at the starts in 2013/14 in more detail:

- Two-thirds of the MA starts (just over 3, 500) are at SVQ Level 3 – equivalent to an HNC.
- A further 27% (just under 1,500) are at Level 2.
- The remainder – just over 300 starts – are at Level 4 or 5 (equivalent to HND and degrees) respectively. Whilst this group accounts for only 6% of MA starts within business services, it should be noted that this is in fact a much higher proportion than for MAs as a whole. This can be attributed to the inclusion of the MA framework in 'management' in our statistics. Higher level MAs in management can be used as a development tool for experienced staff preparing to take on management responsibility – and are used by employers across all sectors. The MA in professional services that was approved in 2014 is at Level 4.

Figure 40: Modern Apprenticeship Starts, 2013/14

MA Framework	Level 2	Level 3	Level 4	Level 5	Total
Accounting	37	40	3	0	80
Business and administration	852	1,319	4	0	2,175
Customer services and contact centres	362	768	0	0	1,130
ICT profession	0	95	0	0	95
IT and telecommunications	1	424	0	0	425
Management	0	728	274	32	1,034
Providing financial services	196	153	0	0	349
MAs relevant to Business Services	1,448	3,527	281	32	5,288
All MAs	9,629	14,805	726	124	25,284
MAs relevant to Business Services as a % of All MAs	5.7	23.8	38.7	25.8	20.9

Source: Skills Development Scotland Modern Apprenticeship Statistics

In terms of gender:

- 71% of those starting an accounting MA are female
- Females are also over-represented in all other MA frameworks relevant to business services except ICT professional and IT and telecommunications.

Figure 41: Modern Apprenticeship Starts by Gender, 2013/14

MA Framework	Females		Males	
	No.	%	No.	%
Accounting	57	71.3	23	28.8
Business and administration	1,538	70.7	637	29.3
Customer services and contact centres	693	61.3	437	38.7
ICT profession	12	12.6	83	87.4
IT and telecommunications	61	14.4	364	85.6
Management	523	50.6	511	49.4
Providing financial services	189	54.2	160	45.8
MAs relevant to Business Services	3,073	58.1	2,215	41.9
All MAs	10,445	41.3	14,839	58.7

Source: Skills Development Scotland Modern Apprenticeship Statistics

In terms of age:

- 64% of those starting an accounting MA were 16-19 and further 29% were 20-24. In other words, the majority of entrants into this occupation through MAs are young.
- The profile of those starting other MA frameworks is mixed with over a third of those starting customer service, ICT profession and providing financial services and 75% of those starting management aged 25+. This suggests that individuals from across different age bands are developing skills relevant to business services.

Figure 42: Modern Apprenticeship Starts by Age, 2013/14

MA Framework	16-19 year olds		20-24 year olds		25 years and over	
	No.	%	No.	%	No.	%
Accounting	51	63.8	23	28.8	6	7.5
Business and administration	1,713	78.8	462	21.2	0	0.0
Customer services and contact centres	348	30.8	400	35.4	382	33.8
ICT profession	38	40.0	24	25.3	33	34.7
IT and telecommunications	222	52.2	105	24.7	98	23.1
Management	30	2.9	223	21.6	781	75.5
Providing financial services	59	16.9	152	43.6	138	39.5
MAs relevant to Business Services	2,410	45.6	1,366	25.8	1,432	27.1
All MAs	13,107	51.8	6,766	26.8	5,411	21.4

Source: Skills Development Scotland Modern Apprenticeship Statistics

College Provision

In 2013/14, there were just under 60,000 enrolments at Scotland's colleges in subjects that are relevant to business studies.

- By far the largest categories are 'languages' with over 15,000 enrolments, 'IT: computer use' with over 15,000 enrolments, 'business/finance (general)' with over 5,000 enrolments and 'computer technology' and 'using software and operating systems' both of which have around 4,500 enrolments. As with the MA starts, care needs to be taken in interpreting these numbers as students studying these subjects will enter a wide range of sectors.
- There has been a 33% decline in the numbers enrolling in courses relevant to business services between 2010/11 and 2013/14. This compares to an overall decline in college enrolments of 21% (driven by declining funding and an increasing focus on supporting young people in full-time courses).
- Despite an overall decline in enrolment numbers, there have been increases in the numbers enrolling in HR management and law courses.

Figure 43: College Enrolments in Subjects Relevant to Business Services, 2010/11 to 2013/14

Subject	2010/11	2011/12	2012/13	2013/14	% Change
Business/Finance (general)	5,817	6,026	6,568	5,064	-12.9
Management (general)	3,888	3,564	2,794	2,404	-38.2
International Business Studies/Briefings	65	17	14	26	-60.0
Management Skills	1,768	1,633	1,342	1,712	-3.2
Management Planning and Control Systems	82	120	149	32	-61.0
Human Resources Management	570	494	539	1,007	76.7
Financial Management/Accounting	2,798	2,741	2,459	2,393	-14.5
Sales Work	76	98	66	37	-51.3
Computer Technology	9,945	5,479	4,913	4,507	-54.7
IT: Computer Science/Programming/System	2,973	2,767	2,533	2,388	-19.7
IT: Computer Use	25,645	17,437	17,412	15,909	-38.0
Using Software and Operating Systems	7,896	5,442	4,621	4,515	-42.8
Text/Graphics/Multimedia Presentation Software	2,995	2,373	2,026	1,415	-52.8
Software for Specific Applications/Industries	1,705	1,011	620	426	-75.0
Law	585	572	570	962	64.4
Communication Skills	1,941	1,388	1,644	1,569	-19.2
Languages	20,543	16,660	14,468	15,205	-26.0
All Subjects	383,010	320,648	297,587	299,830	-21.7

Source: Scottish Funding Council Infact Database

In terms of gender, there is a mixed picture with:

- Females over-represented in some subjects including all except one of the business/management subjects, financial management and accounting, sales, law and languages.
- Females under-represented in most of the IT subject areas. The one exception to this is 'using software and operating systems'.

Figure 44: College Enrolments in Subjects Relevant to Business Services by Gender, 2013/14

Subject	Females		Males	
	No.	%	No.	%
Business/Finance (general)	2,973	58.7	2,091	41.3
Management (general)	1,175	48.9	1,229	51.1
International Business Studies/Briefings	16	61.5	10	38.5
Management Skills	1,065	62.2	647	37.8
Management Planning and Control Systems	22	68.8	10	31.3
Human Resources Management	534	53.0	473	47.0
Financial Management/Accounting	1,545	64.6	848	35.4
Sales Work	30	81.1	7	18.9
Computer Technology	1,491	33.1	3,016	66.9
IT: Computer Science/Programming/System	334	14.0	2,054	86.0
IT: Computer Use	7,350	46.2	8,559	53.8
Using Software and Operating Systems	2,687	59.5	1,828	40.5
Text/Graphics/Multimedia Presentation Software	622	44.0	793	56.0
Software for Specific Applications/Industries	166	39.0	260	61.0
Law	671	69.8	291	30.2
Communication Skills	918	58.5	651	41.5
Languages	9,865	64.9	5,340	35.1
All Subjects	155,111	51.7	144,746	48.3

Source: Scottish Funding Council Infact Database

Figure 45 provides a breakdown of college enrolments by age. Whilst the profile of particular subjects varies, one notable feature is that those aged 25 and over account for at least half of enrolments in all subject areas except:

- Business/finance (general).
- Sales work.
- IT: computer science/programming/systems.
- Communication skills.

For some subjects – including international business studies/briefings; management planning and control systems; HR management; using software and operating systems and languages, those aged 25 or over account for at least 75% of enrolments.

Figure 45: College Enrolments in Subjects Relevant to Business Services by Gender, 2013/14

Subject	16-19		20-24		25 and over	
	No.	%	No.	%	No.	%
Business/Finance (general)	1,833	36.2	1,151	22.7	2,027	40.0
Management (general)	419	17.4	414	17.2	1,570	65.3
International Business Studies/Briefings	5	19.2	5	19.2	21	80.8
Management Skills	408	23.8	310	18.1	976	57.0
Management Planning and Control Systems	0	0.0	5	15.6	30	93.8
Human Resources Management	45	4.5	142	14.1	820	81.4
Financial Management/Accounting	590	24.7	614	25.7	1,188	49.6
Sales Work	14	37.8	8	21.6	13	35.1
Computer Technology	1,393	30.9	825	18.3	2,230	49.5
IT: Computer Science/Programming/System	1,056	44.2	596	25.0	678	28.4
IT: Computer Use	2,096	13.2	1,340	8.4	9,678	60.8
Using Software and Operating Systems	413	9.1	364	8.1	3,709	82.1
Text/Graphics/Multimedia Presentation Software	344	24.3	314	22.2	738	52.2
Software for Specific Applications/Industries	88	20.7	61	14.3	272	63.8
Law	271	28.2	184	19.1	507	52.7
Communication Skills	458	29.2	283	18.0	738	47.0
Languages	1,338	8.8	1,779	11.7	11,972	78.7
All Subjects	91,695	30.6	71,862	24.0	67,467	22.5

Source: Scottish Funding Council Infact Database

Higher Education

Looking at the numbers studying subjects relevant to business services at higher education (HE):

- 32,305 students enrolled on courses in business and administrative studies at Scottish HE institutions during 2013/14 – 14% of all students.
- 8,305 students enrolled in law courses (4%)
- 9,840 enrolled in computer science (4%) – and a further 19,195 enrolled in engineering and technology (8%).
- 12,185 enrolled in languages courses (5%).

However, as with MA and college enrolments, it is important to recognise that these subjects will provide labour for a wide range of sectors.

Figure 46: Higher Education Student Enrolments in Subjects Relevant to Business Services, 2013/14

Subject	2013/14
Business and administrative studies	32,305
Law	8,305
Computer science	9,840
Engineering and technology	19,195
Languages	12,185
All Subjects	230,800

Source: HESA

Whilst a gender profile is not available for enrolments, data is available on the proportion of Scottish domiciled entrants into Scottish HE institutions by gender. As this draws on a slightly different dataset, the subject categories are also slightly different.

- Females account for 61% studying business and administrative studies and law – a similar proportion to HE entrants as a whole.
- Females are also over-represented in languages, with 70% of those studying European languages, literature and related subjects and 57% of those studying languages female.
- In contrast, females are significantly under-represented in IT-related subjects – accounting for just 24% of those studying mathematical and computer sciences and 28% of those studying technologies.
- The profile of entrants appears to be broadly similar over time – with no suggestion that subject choices are becoming less gendered over time.

Figure 47: Females as % of Total Scottish Domiciled Entrants to Scottish HE Institutions by Gender in Subjects Relevant to Business Services, 2009/10 to 2012/13

Subject	2009/10	2010/11	2011/12	2012/13
Business and administrative studies	56.5	76.1	59.1	60.9
Law	60.3	60.9	60.5	60.5
Mathematical and computer sciences	26.1	57.6	25.2	23.9
Technologies	22.3	56.9	24.3	27.5
European languages, literature and related subjects	65.0	58.0	65.8	69.7
Languages	66.4	68.6	62.3	57.0
All Subjects	61.2	60.2	60.3	60.1

Source: Scottish Funding Council

A breakdown of Scottish domiciled entrants into Scottish HE institutions by age is also available but this is limited to 2 categories – young (aged under 21) and mature (21 and over). Figure 48 shows the proportion of Scottish domiciled entrants to Scottish HE institutions that are aged 21 or over.

- With the exception of 'mathematical and computer sciences' and 'technologies', over half of all entrants are aged 21 or over.

- The subjects with the highest proportion of older students are languages (both European languages, literature and related subjects; and languages).
- Again, there does not appear to be a significant change in the proportion of enrolments who are over 21 over time – although there are some fluctuations on a year-by-year basis.

Figure 48: Aged 21 and Over as % of Total Scottish Domiciled Entrants to Scottish HE Institutions by Gender in Subjects Relevant to Business Services, 2009/10 to 2012/13

Subject	2009/10	2010/11	2011/12	2012/13
Business and administrative studies	57.1	58.5	53.1	54.3
Law	59.7	53.5	56.5	54.2
Mathematical and computer sciences	52.8	52.5	49.7	48.0
Technologies	55.7	42.8	48.1	49.5
European languages, literature and related subjects	81.9	80.7	81.2	72.3
Languages	54.2	49.0	50.0	62.0
All Subjects	66.0	64.3	62.0	61.4

Source: Scottish Funding Council

Current Activities to Improve Supply of Skills to Business Services Sector

A number of actions are ongoing to try to improve supply of skills for business services.

- My World of Work and Directions (finance and law) websites aim to improve information available on business services careers. However, business services are not listed under My World of Work's 'Meet the Industries' section and a search for 'contact centres' on the same site suggests a lack of information on careers in this sector. My World of Work is currently being updated and a commitment has been made to place greater focus on business services in the revised site.
- Some action is being taken by SDS and other partners to develop and promote apprenticeship routes into the sector. However, this action is relatively small-scale and is undertaken on a piecemeal basis – and therefore a more concerted approach is needed if apprenticeships are to be promoted as a route into the sector.
- The ICT and Digital Skills Group is taking forward the actions outlined in the ICT and Digital Skills Investment Plan. These will help tackle shortages in IT skills. Key actions include:
 - A multi-platform marketing campaign to promote occupations in ICT was launched in Spring 2015. This aims to influence both young people (and the adults that influence them including parents and teachers) and older workers.
 - The Digital Skills Academy will help individuals from backgrounds that align well with ICT to develop their ICT skills needed by businesses through 6-12 programmes designed in collaboration with industry. The Digital Skills Academy is scheduled to launch in Autumn 2015.
 - A Transition Training Fund for the Highlands and Islands is being established to deliver professional ICT and digital technology training to meet the current and emerging needs of employers in the sector in the Highlands and Islands.

- Scotland IS, Skills Development Scotland, Scottish Enterprise and Highlands and Islands have made representations to Migration Advisory Committee in relation to adding graduate occupations in the digital technology sector to 'Shortage Occupational Lists' for Scotland. However, following a review of the evidence⁸, the MAC has recommended that the following job titles be added to the shortage occupation list - product manager (within SOC 2133), data scientist (within SOC 2135), senior developer (within SOC 2136) and cyber security specialist (within SOC 2139). However, they also recommend that these job titles are only added to the list in relation to individuals with five or more years' experience and have experience of having led a team. They also recommend strict restrictions of on the type of organisations that are able to sponsor a candidate. Whilst these recommendations are a positive step forward, they are more restrictive than those initially requested suggesting further work is needed to make the case to the Committee.
- CCA piloted a 2-day 'MBA in Customer Experience' in 2014. In addition, they run a range of Masterclasses to help develop management and leadership skills within the sector.
- SDS is currently upgrading Our Skillsforce website to improve the information available to employers – and the ease of accessing this information.

Key Findings

1. Only two Modern Apprenticeship (MA) frameworks specifically relate to business services – accounting and professional services. However as the MA in professional services was only approved in 2014, data is not available for the most recent full year for which we have data (2013/14). There were 80 Modern Apprenticeship starts in accounting in 2013/14.
2. A range of other MAs develop skills relevant to business services – including some (business and administration, customer services, management) with large number of starts. In total, 21% of MA starts in 2013/14 were in subjects relevant to business services. However, care needs to be taken given these MA frameworks are used by wide range of sectors.
3. There were just under 60,000 enrolments in colleges in subjects relevant to business studies. This is a decline of 33% on 2010/11 – with the numbers studying subjects relevant to business services declining by more than for all subjects (22%).
4. In terms of higher education:
 - 32,300 studying business and administrative studies (14% of all students)
 - 8,300 studying law (4%)
 - 9,800 studying computer science (4%) and a further 19,200 studying engineering and technology (6%).
 - 12,200 studying languages (5%).

⁸ Migration Advisory Committee (2015). *Partial Review of the Shortage Occupation Lists for the UK and for Scotland*.

5. There appears to be a gender bias in those choosing to pursue training or education in subjects relevant to business services with:
 - 71% of those starting an accounting MA are female. Females are also over-represented in all other MAs frameworks relevant to business services except ICT professional and IT and telecommunications.
 - A similar pattern is observed amongst higher education students where females account for 61% studying business and administrative studies and law – but less than 30% of those studying IT-related subjects.
6. Many of those pursuing training or education in subjects relevant to business services are over 25.
 - Whilst the vast majority of those starting an accounting MA were young (with 64% aged 16-19 and a further 29% aged 20-24), the profile of those starting other MA frameworks is more mixed with over a third of those starting customer service, ICT professional and providing financial services and 75% of those starting management aged 25 or over.
 - Over 25s account for over 50% of college enrolments in all subjects relevant to business services except business/finance (general); sales work; and IT: computer science/programming/systems.
7. A number of activities are ongoing to try to improve supply of skills for business services.
 - My World of Work and Directions (finance and law) websites aim to improve information available on business services careers – but more could be done to promote the sector.
 - Scotland IS and Skills Development Scotland have made representations to Migration Advisory Committee in relation to adding graduate occupations in the digital technologies sector to 'Shortage Occupational Lists' for Scotland. Whilst the Committee has recommended some occupations are added to the list, these are relatively limited suggesting further work is needed to convince the committee.
 - The Digital Skills Academy will launch in Autumn 2015 and will help individuals develop ICT skills needed by employers.
 - A marketing campaign to promote roles in ICT was launched in Spring 2015.
 - SDS is currently upgrading Our Skillsforce website to improve information available to employers on training and development. This will also raise awareness of Modern Apprenticeships, including higher level apprenticeships.

6. BUSINESS SERVICES BY REGION

Introduction

In 2013, Skills Development Scotland in partnership with Scottish Funding Council and other partners introduced Regional Skills Assessments (RSAs) to ensure the Scottish skills system better serves the needs of individuals, employers and the economy and to ensure that public and private investment in skills can be focussed on activities likely to maximise the return in terms of growing the economy and the quantity and quality of the jobs base. RSAs were undertaken for 11 regions (listed in Figure 49 below). The Highlands and Islands were not covered by the RSA process as there was work ongoing to develop a Skills Investment Plan for the Highlands and Islands. In this chapter, we will examine the key data on the profile and skills needs of the business services sector by region. It should be noted that a number of overlapping regions have been defined for west central Scotland.

Figure 49: Definition of Regions

Region	Local Authority Areas Covered
Aberdeen City and Shire	<ul style="list-style-type: none"> • Aberdeen City • Aberdeenshire
Ayrshire	<ul style="list-style-type: none"> • East Ayrshire • North Ayrshire • South Ayrshire
Edinburgh and Lothians	<ul style="list-style-type: none"> • East Lothian • Edinburgh • Midlothian • West Lothian
Fife	<ul style="list-style-type: none"> • Fife
Forth Valley	<ul style="list-style-type: none"> • Clackmannanshire • Falkirk • Stirling
Glasgow and Clyde Valley	<ul style="list-style-type: none"> • East Dunbartonshire • East Renfrewshire • Glasgow City • Inverclyde • North Lanarkshire • Renfrewshire • South Lanarkshire • West Dunbartonshire
Glasgow	<ul style="list-style-type: none"> • East Dunbartonshire • East Renfrewshire • Glasgow City
Highlands and Islands	<ul style="list-style-type: none"> • Argyll & Bute • Eilean Siar • Highland • Moray • Orkney • Shetlands
Lanarkshire	<ul style="list-style-type: none"> • East Dunbartonshire • North Lanarkshire • South Lanarkshire
South of Scotland	<ul style="list-style-type: none"> • Borders • Dumfries and Galloway

Tayside	<ul style="list-style-type: none"> • Angus • Dundee • Perth
West of Scotland	<ul style="list-style-type: none"> • East Renfrewshire • Inverclyde • Renfrewshire • West Dunbartonshire

Business Services by Region

Figure 50 shows the number of business services employees in each region. The Glasgow and Clyde Valley has the largest number of business services employees with 45,200 – equivalent to 5.7% of all employees in the region. Aberdeen City and Shire has the highest proportion of employees in the business services sector at 8.3%. Business services are also overrepresented compared to the Scottish average in the Edinburgh and Lothians labour market with 5.7% of employees in Edinburgh working in business services compared to 5.2% nationally.

Figure 50: Business Services Employees, Scotland 2013

	Number	As a % of Total Employees
Aberdeen City and Shire	23,000	8.3
Glasgow Region	29,000	6.7
Glasgow and Clyde Valley	45,200	5.7
Edinburgh and Lothians	24,800	5.7
West of Scotland	7,000	4.6
Lanarkshire	10,400	4.3
Forth Valley	4,900	4.1
Ayrshire	4,500	3.8
Tayside	6,000	3.7
South of Scotland	3,200	3.5
Highlands and Islands	6,400	3.1
Fife	3,400	2.7
Scotland	121,500	5.2

Source: Business Register and Employment Survey

Figure 51 shows how the numbers employed in business services is changing over time. The number of employees has grown in 5 regions and declined in 7 regions – and the scale of these changes have varied dramatically, from growth of 47% in the West of Scotland region to a decline of 22% in the Glasgow region. Looking at the regions where business services employees are over-represented (Aberdeen City and Shire; Glasgow and Clyde Valley; and Edinburgh and Lothians), only Edinburgh and the Lothians experienced growth in the number of employees between 2009 and 2013 and the growth was relatively small at 1.5% (the equivalent of an additional 400 employees or 100 per year). The decline of business services employment within the Glasgow region of 8,200 over a 4 year time period is a cause for concern.

Figure 51: Business Services Employees, Scotland 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
West of Scotland	4,800	7,000	2,200	46.6
Forth Valley	4,000	4,900	900	22.7
South of Scotland	3,000	3,200	200	6.7
Edinburgh and Lothians	24,400	24,800	400	1.5
Lanarkshire	10,200	10,400	100	1.3
Tayside	6,100	6,000	0	-0.2
Aberdeen City and Shire	24,700	23,000	-1,700	-7.0
Highlands and Islands	7,000	6,400	-600	-8.8
Ayrshire	5,000	4,500	-500	-9.8
Glasgow and Clyde Valley	51,300	45,200	-6,100	-11.9
Fife	4,000	3,400	-600	-14.2
Glasgow Region	37,200	29,000	-8,200	-22.1
Scotland	129,500	121,500	-8,000	-6.2

Source: Business Register and Employment Survey

Figure 52 shows the number of business services employers by region in each of the key sub-sectors that have been examined during this skills assessment.

- This demonstrates the wide variety in the composition of the business services sector across regions. For example, accountancy services account for just 5.7% of employees in business services in the West of Scotland, compared to 19.4% in Edinburgh and Lothians.
- Across Scotland as a whole, the key sub-sectors account for 44% of employment in the business services sector. However, this varies from 18% in Aberdeen City and Shire to 56% in Ayrshire. The low proportion in Aberdeen City and Shire reflects the high numbers employed in 'Other engineering activities' (SIC 71.129) and acting as part of the energy supply chain.

Figure 52: Business Services Employees by Sub-Sector, Scotland 2013

	Accountancy		Legal		Other HR		Call Centres		Other Admin and Support	
	No.	%	No.	%	No.	%	No.	%	No.	%
Aberdeen City and Shire	1,900	8.3	1,900	8.3	100	0.4	100	0.4	100	0.4
Ayrshire	500	11.1	700	15.6	-	-	1,300	28.9	-	-
Edinburgh and Lothians	4,800	19.4	6,300	25.4	100	0.4	1,000	4.0	400	1.6
Fife	400	11.8	800	23.5	-	-	NA	-	-	-
Forth Valley	400	8.2	500	10.2	-	-	NA	-	100	2.0
Glasgow and Clyde Valley	5,600	12.4	6,800	15.0	200	0.4	9,100	20.1	1,100	2.4
Glasgow Region	4,100	14.1	5,200	17.9	100	0.3	5,200	17.9	200	0.7
Highlands and Islands	1,100	17.2	1,000	15.6	-	-	700	10.9	-	-
Lanarkshire	1,200	11.5	1,000	9.6	-	-	2,700	26.0	100	1.0
South of Scotland	500	15.6	600	18.8	NA	-	NA	-	-	-
Tayside	700	11.7	1,300	21.7	NA	-	NA	-	-	-
West of Scotland	400	5.7	800	11.4	NA	-	1,398	20.0	NA	-
Scotland	16,000	13.2	19,900	16.4	500	0.4	14,790	12.2	1,800	1.5

Source: Business Register and Employment Survey

Note: '-' = under 50 employees

Skills Issues by Region

Identifying key skills issues by region is extremely problematic – as there is very little literature on this topic and national datasets on skills demand cannot be broken down by region. Whilst we have undertaken an e-survey as part of this research, the number of responses (30) is not sufficiently to reliably analyse at a sub-regional level. Figure 53 below shows some of the key skills issues raised by employers in the three regions that are over-represented in business services, alongside the Highlands and Islands. However, extreme care must be taken in interpreting these – as the sample sizes are very small.

Figure 53: Skills Issues Facing Employers in Selected Scottish Regions

	Aberdeen City and Shire	Edinburgh and Lothians	Glasgow and Clyde Valley	Highlands and Islands
Hard-to-fill vacancies	<ul style="list-style-type: none"> • Audit • Accountancy • Business analyst • Accounting processors • Data analyst/scientist • Governance and risk assurance 	<ul style="list-style-type: none"> • Customer service • Financial reporting manager 	<ul style="list-style-type: none"> • Senior (e.g. Head of Legal, Financial Controller) • Accountants • Audit • Accounting processors • Business analyst • Data scientists • IT support staff • HR consultant with foreign language skills • Governance and risk advisors/practitioners 	<ul style="list-style-type: none"> • IT helpdesk engineers
Specific skills lacking in candidates for hard-to-fill vacancies	<ul style="list-style-type: none"> • Knowledge of governance and risk • Knowledge of technical accounting • Management skills • IT skills 	<ul style="list-style-type: none"> • Lack of individuals with ACCA/CIMA qualifications • Motivation 	<ul style="list-style-type: none"> • IT skills (including software and infrastructure development) • Knowledge of governance and risk • Management skills • Spreadsheet development • Data analysis • Knowledge of technical areas of expertise (e.g. technical accounting) • Hybrid IT and accounting skills • Influencing skills • Languages 	<ul style="list-style-type: none"> • Experience of customer handling • Technical skills (e.g. experience in using particular operating systems)
Main vacancies anticipated over next 3 years	<ul style="list-style-type: none"> • Customer advisors • HR advisors/co-ordinators • Payroll assistants • Accountants • Book-keeping 	<ul style="list-style-type: none"> • Customer service • Financial reporting 	<ul style="list-style-type: none"> • IT • Business analysts • Customer service • HR consultant with foreign language skills 	<ul style="list-style-type: none"> • Helpdesk engineer • Customer service • Digital services
Skills need to recruit to achieve business objectives over next 3 years	<ul style="list-style-type: none"> • Customer handling • Complaint handling • Technical skills (e.g. management accounting) • IT skills 	<ul style="list-style-type: none"> • Customer service • Financial reporting 	<ul style="list-style-type: none"> • Languages 	<ul style="list-style-type: none"> • Customer handling • IT skills • Team working
No. of cases	10	7	11	5

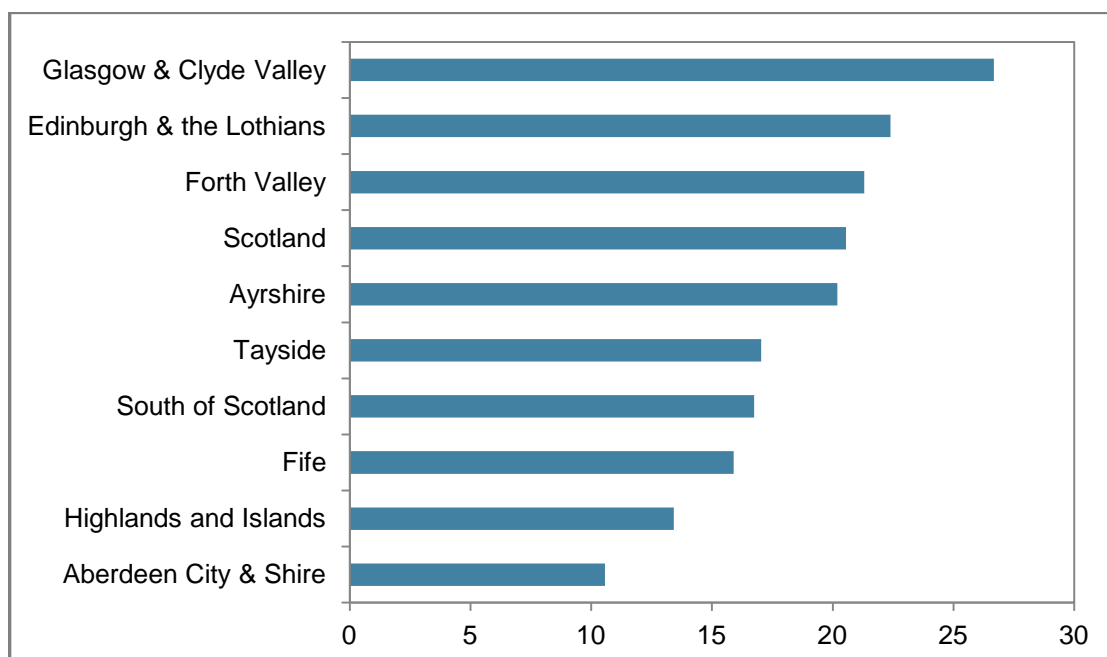
Source: E-survey of Business Services Employers

Skills Supply by Region

In this section, only the data for the main 9 regions are provided – data for each further breakdowns for the Glasgow and Clyde Valley Region (Glasgow, Lanarkshire and West of Scotland) are not included for simplification – but the data is available in Appendix 2.

Across Scotland as a whole, Modern Apprenticeship starts in subjects relevant to business services account for 21% of all MA starts. At a regional level, the proportion of MA starts in subjects relevant to business services is highest in Glasgow (at 27%) and lowest in Aberdeen City and Shire (at 11%). It is notable that two of the regions that are over-represented in business services employment are also those with the highest proportion of MA starts in subjects relevant to business services. The low proportion of MA starts in Aberdeen City and Shire is likely to reflect the dominance of the oil and gas industry in this local labour market and MA starts.

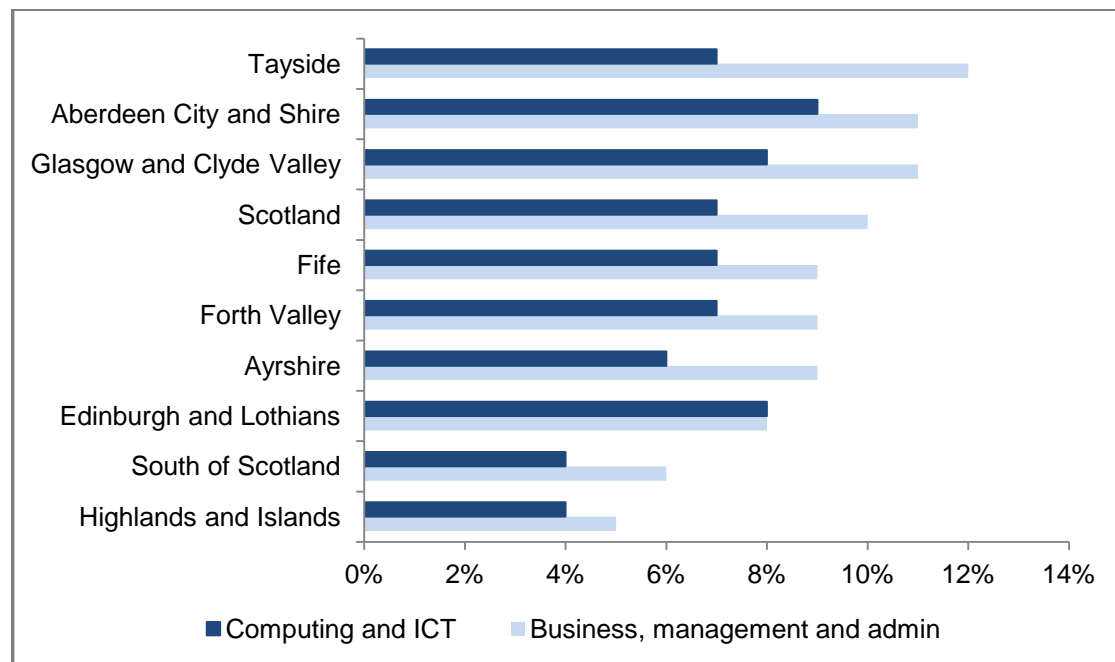
Figure 54: Modern Apprenticeship Starts Relevant to Business Services as a % of All Modern Apprenticeship Starts, 2012/13



Source: Regional Skills Assessment (Skills Development Scotland)

At a Scottish level, business, management and administrative subjects account for 10% of all full-time college provision, whilst computing and ICT account for 7%. These subjects account for a higher proportion of college provision in Tayside, Aberdeen City and Shire and Glasgow and Clyde Valley. It should be noted here that this is a different measure to that used in Chapter 5 – reflecting the more limited availability of data at a regional level.

Figure 55: Percentage of Full-time College Provision (SUMS) in Subjects Relevant to Business Services by Region, 2012/13



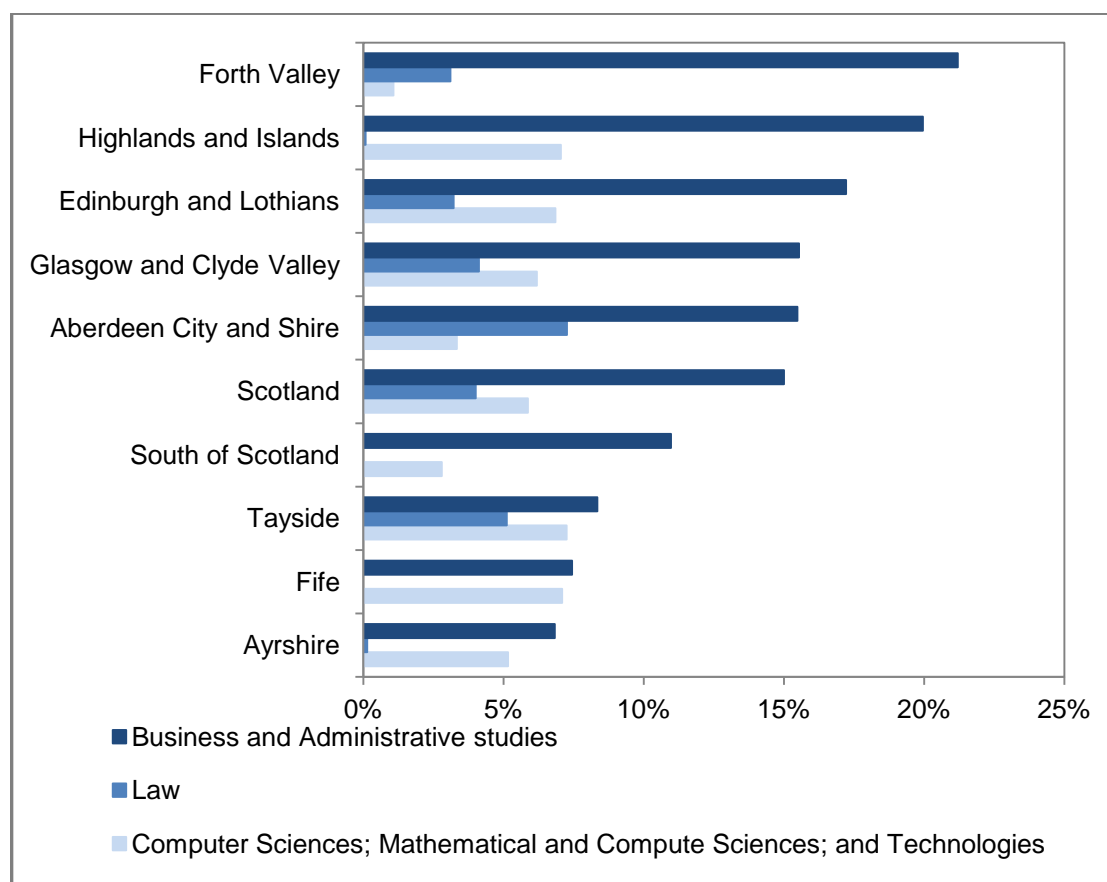
Source: Regional Skills Assessment (Skills Development Scotland)

Finally, turning to university students:

- Universities in Forth Valley, Highlands and Islands, Edinburgh and Lothians, Glasgow and Clyde Valley and Aberdeen City and Shire are all over-represented (compared to Scotland as a whole) in terms of students studying business and administrative subjects.
- Universities in Tayside and Aberdeen City and Shire are over-represented in terms of students studying law.
- Universities in Edinburgh and Lothians, Fife, Highlands and Islands and Tayside are over-represented in terms of students studying computer sciences; mathematical and computer sciences; and technologies.

There is no clear pattern here in terms of the profile of the business services sector in these different regions.

Figure 56: Percentage of University Students Studying Subjects Relevant to Business Services by Region, 2012/13



Source: Regional Skills Assessment (Skills Development Scotland)

Key Findings

- The business services sector is over-represented in the city-regions namely:
 - Aberdeen City and Shire.
 - Glasgow and Clyde Valley.
 - Edinburgh and Lothians.
- The business services sector within Aberdeen City and Shire is dominated by 'other engineering activities' – meaning only 17% of employment in the sector is in the sub-sectors focused on in this study. The key skills needs emerging for the sector in Aberdeen City and Shire are around accountancy, book-keeping, governance, risk management, customer service skills, complaint handling and IT skills.
- In the Glasgow and Clyde Valley region, both accountancy and legal and contact centres/BPO account for around 25% of employment in sector. The key skills needs emerging for the sector in Glasgow and Clyde Valley are around accountancy, data analysts, ICT (developers and support staff), languages and business analysts.

4. In Edinburgh and Lothians, the accountancy and legal sub-sectors are particularly important – accounting for 45% of employment in sector. The key skills issues emerging for the sector in Edinburgh and Lothians are around financial reporting and customer service
5. In general more students are studying subjects relevant to business services and more individuals are undertaking Modern Apprenticeships in frameworks relevant to business services in those regions where the sector is over-represented.

7. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Overview of Business Services Sector

1. The business services sector in Scotland accounts for:
 - 13% of all businesses in Scotland.
 - 5% of employment in Scotland.
2. The data shows a complicated picture in terms of the growth of the sector in Scotland over the last 3 years - with a 17% increase in the number of businesses in the sector between 2009 and 2012 but a decrease in the number of employees of 6% between 2009 and 2013.
3. The UK Commission for Employment and Skills is projecting employment in 'business and other services' in Scotland will grow by 12% between 2012 and 2022.
4. The majority of the business service employers interviewed or surveyed for this research anticipated business growth over the next 3 years.
5. Key drivers of growth included:
 - Increasing focus on how business services can help improve efficiency and effectiveness of other sectors – especially growth sectors – through providing more effective modes of delivery.
 - Technology is driving new approaches with:
 - Improved communications technology making it easier to outsource activities from London to Scotland.
 - New technologies enabling businesses to develop new products and services and to streamline processes.
 - Strong international reputation – especially in relation to professional services.
6. Whilst most of the businesses interviewed or surveyed for this research are anticipating business growth – not all are projecting employment growth. In many cases, improvements in processes and adoption of new technologies are expected to lead to a reduction in the numbers employed.

Overview of Skills Issues

Recruitment

7. Businesses in the business services sector are more likely to report hard-to-fill vacancies than the business base as a whole (37% compared to 33% in UKCES's Employer Skills Services). The vast majority of these hard-to-fill vacancies reported by business services employers are due to skill shortages. Key skills lacking in applicants are:
 - Technical, practical or job specific skills.
 - Planning and organisation skills.
 - Written and oral communication skills.
8. Similar findings emerged from the e-survey and interviews undertaken as part of this research with 60% of surveyed employers reporting hard-to-fill vacancies. In contrast to the UKCES research, as well as shortages in technical and practical skills, employers in the sector were also struggling to recruit individuals with the right attitudes, motivations and personality. Key skills that employers felt they

would need to recruit for over the next three years if they are to achieve their objectives include:

- A range of specialist skills including audit, governance and IT.
- Communications and customer service skills.
- Skills that will enable them to deal with the increasing complexity of the services and products offered – including skills around planning and organising, dealing with complaints or more complex queries, data analysis and stakeholder handling.
- Linked to this, new recruits will increasingly need to be adaptable and have the ability to learn.

9. Looking at issues at the sub-sectoral level:

- Key issues for accountancy include attracting young people to the sector and recruiting individuals with specific technical skills (such as corporate tax, expatriate tax, governance, risk management and pensions administration).
- Key issues for legal services include recruiting individuals that are able to make a contribution from 'day 1' (which involves a good understanding of law not just theoretical knowledge), securing individuals with good communication skills and recruiting individuals with specialist experience.
- The key issue for human resources is the availability of recruits with strong business acumen alongside technical HR skills.
- Key issues for contact centres include recruiting staff given the poor image of the sector, securing individuals with good quality customer service and IT skills, bringing senior staff into the sector to manage IT, operations and client management and recruiting individuals with the real-life experience that allows them to empathise/relate to customers.
- Key issues for other elements of the BPO/ITO sector are recruiting individuals with good knowledge of IT systems and recruiting individuals with good customer handling skills. As the processes being managed are increasingly complex, the IT and customer handling skills needed are rising in line with these demands. There is also an increasing need for skilled project managers.

Skills of Current Workforce

10. Both existing data and the e-survey and interviews undertaken by this research suggest that skills gaps are not a major issue facing businesses in the business services sector. Within the UKCES's Employer Skills Survey, the main skills that employers felt need to be developed included:

- Technical, practical or job specific skills.
- Planning and organisation skills.
- Customer handling skills
- Team working skills.
- Advanced IT or software skills.

11. Within the e-survey undertaken as part of this research, the key issues raised included:

- Problem solving skills.
- Customer handling skills.
- Written and oral communication skills.

12. Employers in the business services sector have identified a number of factors that will drive demand for new skills over the next 12 months including:

- New legislative or regulatory requirements.
- Introduction of new technologies or equipment.
- Developing new products and services.

13. The e-survey and interviews with business services employers undertaken for this research have drawn out similar themes with responding to legislative and regulatory changes, ability to utilise IT, improving product knowledge and managing change all key issues.
14. Looking at issues at the sub-sectoral level:
- Key issues for accountancy include developing technical skills of current staff, alongside improving business acumen of staff (and, in particular, drawing out the implications of financial results for planning and foresight activities), management and leadership skills, communication skills and improving team work.
 - Key issues for legal services include tackling progression of women into more senior roles, improving communication skills of staff and improving use of IT.
 - The key issue for human resources include developing the business acumen of HR professionals (with it becoming seen as increasingly strategic issue by employers).
 - Key issues for contact centres include reducing staff turnover, need to upskill staff to be able to utilise IT and to handle more complex customer issues, improving product knowledge and managing change.
 - Key issues for BPO and ITO (excluding contact centres) include upgrading IT skills, improving customer service skills, improving data analysis and information management and developing the business acumen and management skills of staff.

Support Needed

15. 70% of businesses in the business services sector have trained staff in the last 12 months – with larger firms are more likely to have formal training plans in place. Many of the business services employers interviewed as part of this research felt that they had good access to the training they needed through their own internal systems or professional bodies – and felt that there was no strong need for the public sector to intervene to support them to develop the skills of their staff.
16. However, many felt that more could be done to simplify the support available – or to provide support to navigate it and to help them build linkages with schools, colleges, universities and training providers.
17. There were also a number of specific areas where the skills that school, college and university leavers develop could be improved, with a need for:
- Better written and oral communication skills.
 - More young people pursuing IT as a subject at all levels.
 - Ensuring degrees develop the skills employers need. For example, in relation to IT, it is helpful if students gain vendor certifications. In relation to accountancy, it can be helpful for them to spend time developing specialist skills (e.g. in tax).
 - Some also felt that there needed to be greater exposure to the world of work throughout education – for example through summer placements.

Skills Supply

18. The key challenge in examining the supply of skills into business services is that many of the subjects that are relevant to business services (such as business and ICT) also supply labour to other sectors. This could mean that, for example, there is a large expansion in the numbers studying these subject areas but the

business services sector continues to have skill shortages due to its relative attractiveness compared to the other sectors these sources supply.

19. Significant numbers are undertaking training or education in subjects relevant to business services with:
 - Almost 5,300 Modern Apprenticeship starts in frameworks relevant to business services.
 - Just under 60,000 enrolments in colleges in subjects relevant to business studies.
 - Almost 88,000 enrolments in higher education in subjects relevant to business services.
20. There appears to be a gender bias in those choosing to pursue Modern Apprenticeships, college or higher education courses in subjects relevant to business services with females over-represented in business, accountancy and law and males over-represented in ICT subjects. Efforts to tackle gender imbalances in science, technology, engineering and mathematics (STEM) subjects should help in addressing this – although there may also be a need for some business services sector specific initiatives.
21. Many of those pursuing training or education in subjects relevant to business services are over 25.

Recommendations

22. An **action plan** should be developed to address the skills issues identified in this skills assessment of the business services sector.
23. This action plan should differentiate between those skills issues that:
 - Are **national** and will need to be tackled at the Scottish level. These will primarily be issues relating to higher level qualifications and skills, with the market for these skills operating nationally or internationally.
 - Are **regional** and will be most effectively addressed at the regional level. These will primarily be issues relating to lower and intermediate level qualifications and skills, with the market for these skills being local or regional.
24. In relation to both national and regional level, there needs to be a **strong employer voice** in the development and delivery of the action plan. Within this, it will be important that the employers involved in the development of the action plan reflect the diversity of sector.
25. There is currently no group that leads on business services or in relation to skills issues for the sector. However, the diversity of the business services sector – both in terms of the nature of the different sub-sectors and the mix of very large employers alongside micro-businesses – will mean that it will be difficult to establish a group that will effectively represent the full range of different interests. As such, a range of organisations and groups will need to be involved in taking forward the action plan.
26. At the regional level, each region will need a different approach – reflecting both the relative contribution of business services to their regional economy and the particular composition of the business services sector in their region.
27. Skills Development Scotland should play a key role in tackling the skills issues identified. In particular, it has a role to play in:

- Raising awareness of careers in the sector and routes into these (including through My World of Work).
 - Encouraging greater take up of Modern Apprenticeships in the sector, including higher level apprenticeships at Levels 4 and 5. SDS is required to increase the number of Modern Apprenticeship starts from 25,000 to 30,000 per annum by 2020. Given that business services is a growing sector, SDS needs to make the most of the opportunity for new MA starts by encouraging those business services employers that do not currently use MAs to begin to utilise them and to get those who are already using them to take on more MAs.
 - Ensuring that Foundation Apprenticeships currently being developed help develop the skills needed by the business services sector.
 - Continuing their efforts to ensure that employers are able to easily access information on the supports available to develop the skills of their workforce (including through Our Skillsforce). In particular, many business services employers interviewed felt that the provision seems complicated – in terms of the range of services and providers available – and would welcome a system that makes it easier to navigate what is available. In addition, some consultees argued that providing linkages to private sector providers (such as recruitment consultants) and to public sector provision in the rest of the UK would help make Our Skillsforce more useful to them.
 - Identifying existing groupings that would be well placed to take forward the priorities – building on the strong partnership links they have built up through the development of the Skills Investment Plans and Regional Skills Assessments.
28. Scottish Funding Council should ensure that college and university provision is in place to develop the skillsets needed by the sector including:
- Encouraging closer education-industry links with the business services sector. Strong links already exist with the professional, statutory and regulatory bodies in relation to accountancy and legal but links with business and IT outsourcing are more *ad hoc*.
 - Ensuring mechanisms are in place to enable students to gain the practical experience and business acumen that employers have said they require, for example, through work placements.
 - Ensuring that college and university courses are enabling young people to develop the core skills (literacy and numeracy) and soft skills (such as attitude, motivation, ability to work in a team) that employers have identified as critical.
29. Scottish Enterprise and Highlands and Islands Enterprise offer a range of programmes that help develop the management and leadership skills within growth businesses and sectors. Given that this was identified as a key skills need by employers in the business services sector, it will be important that Scottish Enterprise/Highlands and Islands Enterprise reviews these programmes to ensure that they are aligned with the needs of business services. In addition, more may need to be done to actively promote these programmes to the sector to increase uptake.
30. Talent Scotland provides information on living and working in Scotland. There would be value in exploring if providing business services specific information or case studies (similar to those already available for financial services) would be helpful in attracting skilled individuals with experience of the business services sector to Scotland.

APPENDIX 1: EMPLOYMENT IN BUSINESS SERVICES SUB-SECTORS
Accountancy and Legal Combined
Figure A1.1: Accountancy and Legal Activities Combined Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	30,800	45,900	+15,100	49.0
East Midlands	26,000	29,100	+3,100	11.8
London	164,600	179,000	+14,300	8.7
North East	20,100	13,400	-6,700	-33.4
North West	58,000	80,400	+22,400	38.6
Scotland	51,700	35,900	-15,800	-30.5
South East	49,900	57,100	+7,200	14.4
South West	36,500	40,800	+4,300	11.7
Wales	15,500	18,300	+2,800	18.4
West Midlands	29,600	33,600	+3,900	13.2
Yorkshire and The Humber	34,000	40,500	+6,600	19.3
Great Britain	516,800	574,000	+57,200	11.1

Source: Business Register and Employment Survey

Accountancy
Figure A1.2: Accounting, Bookkeeping and Auditing Activities Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	19,100	28,300	+9,300	48.6
East Midlands	15,100	16,900	+1,900	12.5
London	81,300	91,300	+10,000	12.3
North East	9,600	7,000	-2,600	-27.4
North West	24,400	44,300	+19,900	81.4
Scotland	32,100	16,000	-16,100	-50.2
South East	27,900	38,200	+10,300	36.8
South West	14,900	21,300	+6,400	43.1
Wales	5,900	6,900	+1,000	16.8
West Midlands	12,900	17,100	+4,200	32.3
Yorkshire and The Humber	15,400	21,600	+6,300	40.8
Great Britain	258,500	308,900	+50,400	19.5

Source: Business Register and Employment Survey

Legal

Figure A1.3: Legal Activities Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	11,800	17,600	+5,800	49.5
East Midlands	10,900	12,100	+1,200	10.9
London	83,300	87,700	+4,300	5.2
North East	10,500	6,400	-4,100	-38.8
North West	33,600	36,200	+2,500	7.6
Scotland	19,600	19,900	+400	1.8
South East	22,000	18,900	-3,100	-14.1
South West	21,600	19,500	-2,100	-9.9
Wales	9,600	11,400	+1,800	19.3
West Midlands	16,800	16,500	-200	-1.4
Yorkshire and The Humber	18,600	18,900	+300	1.5
Great Britain	258,300	265,100	+6,800	2.6

Source: Business Register and Employment Survey

Human Resources

Figure A1.4: Other Human Resources Provision Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	300	900	+500	170.5
East Midlands	100	500	+400	284.6
London	600	3,100	+2,500	417.1
North East	-	100	+100	312.0
North West	-	2,600	+2,600	6574.4
Scotland	100	500	+400	293.3
South East	400	1,100	+700	170.3
South West	100	900	+900	1642.3
Wales	-	-	-	110.0
West Midlands	100	600	+500	550.0
Yorkshire and The Humber	100	700	+600	737.2
Great Britain	1,900	10,900	+9,100	485.5

Source: Business Register and Employment Survey

Note: '-' = under 50 employees

Contact Centres

Figure A1.5: Activities of Call Centres Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	3,800	3,000	-800	-20.0
East Midlands	5,900	9,200	+3,300	54.8
London	3,700	5,700	+2,000	54.1
North East	4,000	5,400	+1,400	35.3
North West	9,200	15,700	+6,500	70.0
Scotland	13,200	14,800	+1,600	12.2
South East	7,000	10,300	+3,300	47.0
South West	4,200	4,900	+700	16.9
Wales	5,000	3,300	-1,700	-34.5
West Midlands	2,900	7,200	+4,300	149.4
Yorkshire and The Humber	11,500	15,400	+3,900	33.8
Great Britain	70,400	94,900	+24,500	34.7

Source: Business Register and Employment Survey

Other Administration and Support Activities

Figure A1.6: Other Administration and Support Activities Employees, UK Regions 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
East	1,700	2,900	+1,200	73.2
East Midlands	1,000	1,800	+800	85.0
London	3,400	8,000	+4,500	131.2
North East	800	800	0	-6.1
North West	1,000	2,100	+1,100	109.8
Scotland	800	1,800	+1,000	137.1
South East	3,700	4,700	+1,000	27.5
South West	1,600	1,900	+400	22.8
Wales	200	500	+300	198.9
West Midlands	700	2,000	+1,400	205.8
Yorkshire and The Humber	1,700	2,000	+400	20.7
Great Britain	16,500	28,600	+12,100	73.5

Source: Business Register and Employment Survey

APPENDIX 2: BUSINESS SERVICES BY REGION

Introduction

This Appendix provides data on the business services sector in each of the 12 regions, drawing on SDS's Regional Skills Assessments (RSAs) and their associated data matrices. As an overview of the regional perspective Figures A2.1 to A2.3 show the number of employees in the sector and some key sub-sectors.

Employment in Business Services by Region

Figure A2.1: Business Services Employees, Scotland 2013

	Number	As a % of Total Employees
Aberdeen City and Shire	23,000	8.3
Ayrshire	4,500	3.8
Edinburgh and Lothians	24,800	5.7
Fife	3,400	2.7
Forth Valley	4,900	4.1
Glasgow and Clyde Valley	45,200	5.7
Glasgow Region	29,000	6.7
Highlands and Islands	6,400	3.1
Lanarkshire	10,400	4.3
South of Scotland	3,200	3.5
Tayside	6,000	3.7
West of Scotland	7,000	4.6
Scotland	121,500	5.2

Source: Business Register and Employment Survey

Figure A2.2: Business Services Employees, Scotland 2009-2013

	2009	2013	2009-2013 Change	
			Number	%
Aberdeen City and Shire	24,700	23,000	-1,700	-7.0
Ayrshire	5,000	4,500	-500	-9.8
Edinburgh and Lothians	24,400	24,800	400	1.5
Fife	4,000	3,400	-600	-14.2
Forth Valley	4,000	4,900	900	22.7
Glasgow and Clyde Valley	51,300	45,200	-6,100	-11.9
Glasgow Region	37,200	29,000	-8,200	-22.1
Highlands and Islands	7,000	6,400	-600	-8.8
Lanarkshire	10,200	10,400	100	1.3
South of Scotland	3,000	3,200	200	6.7
Tayside	6,100	6,000	0	-0.2
West of Scotland	4,800	7,000	2,200	46.6
Scotland	129,500	121,500	-8,000	-6.2

Source: Business Register and Employment Survey

Figure A2.3: Business Services Employees by Sub-Sector, Scotland 2013

	Accountancy	Legal	Other HR	Call Centres	Other Admin and Support
Aberdeen City and Shire	1,900	1,900	100	100	100
Ayrshire	500	700	-	1,300	-
Edinburgh and Lothians	4,800	6,300	100	1,000	400
Fife	400	800	-	NA	-
Forth Valley	400	500	-	NA	100
Glasgow and Clyde Valley	5,600	6,800	200	9,100	1,100
Glasgow Region	4,100	5,200	100	5,200	200
Highlands and Islands	1,100	1,000	-	700	-
Lanarkshire	1,200	1,000	-	2,700	100
South of Scotland	500	600	NA	NA	-
Tayside	700	1,300	NA	NA	-
West of Scotland	400	800	NA	1,398	NA
Scotland	16,000	19,900	500	14,790	1,800

Source: Business Register and Employment Survey

Note: '-' = under 50 employees

Figures A2.4 to A2.51 show the skills supply in each region in terms of:

- Modern Apprenticeship starts in frameworks relevant to business services.
- College provision in subjects relevant to business services.
- University students studying subjects relevant to business services.
- Graduates taking up employment in broad industries that encompass some business service activities.

These figures are extracted from the RSA data matrices. Any commentary in the RSAs relevant to business services is also captured.

Aberdeen City and Shire

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.4: Modern Apprenticeship Starts, Aberdeen City and Shire, 2013/14

MA Framework	Total
Accounting	5
Business and administration	115
Customer services and contact centres	15
ICT profession	5
IT and telecommunications	25
Management	60
Providing financial services	15
MAs relevant to Business Services	240
All MAs	2,270
MAs relevant to Business Services as a % of All MAs	10.6

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.5: College Provision (SUMS), Aberdeen City and Shire, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	12,710	11.3	2,960	8.1
Computing & ICT	10,090	9.0	1,840	5.0
Languages & ESOL	3,380	3.0	0	0.0
All subjects	112,330	100.0	36,680	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.6: University Students, Aberdeen City and Shire, 2012/13

Subject	No.	%
Business and Administrative studies	4,920	15.5
Computer Sciences	860	2.7
European Languages, Literature and related subjects	350	1.1
Languages	10	0.0
Law	2,310	7.3
Mathematical and Computer Sciences	160	0.5
Technologies	40	0.1
All subjects	31,830	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.7: HE Graduates by Industry, Aberdeen City and Shire, 2011/12

Industry	No.	%
Administrative and support service activities	100	2.0
Professional, scientific and technical activities	420	8.5
Graduates Total	4,920	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- Business services at 16% of GVA is much more important than at the Scottish level – 10% of GVA.
- Business services along with energy and financial services are the largest of the Growth Sectors in the region.

Ayrshire

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.8: Modern Apprenticeship Starts, Ayrshire, 2013/14

MA Framework	Total
Accounting	5
Business and administration	190
Customer services and contact centres	85
ICT profession	5
IT and telecommunications	15
Management	90
Providing financial services	50
MAs relevant to Business Services	440
All MAs	2,180
MAs relevant to Business Services as a % of All MAs	20.2

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.9: College Provision (SUMS), Ayrshire, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	10,470	8.9	1,180	5.6
Computing & ICT	6,560	5.5	1,930	9.1
Languages & ESOL	0	0.0	220	1.0
All subjects	118,260	100.0	21,130	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.10: University Students, Ayrshire, 2012/13

Subject	No.	%
Business and Administrative studies	160	6.9
Computer Sciences	120	5.2
European Languages, Literature and related subjects	0	0.0
Languages	0	0.0
Law	0	0.0
Mathematical and Computer Sciences	0	0.0
Technologies	0	0.0
All subjects	2,330	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.11: HE Graduates by Industry, Ayrshire, 2011/12

Industry	No.	%
Administrative and support service activities	10	2.0
Professional, scientific and technical activities	10	2.0
Graduates Total	490	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- The RSA notes that on the measure of GVA, Ayrshire has a low representation in business services.
- The tabular analysis on employment also demonstrates that relative to Scotland, Ayrshire has a low representation in employment terms. Nonetheless, business services is one of the largest of the Growth Sectors within Ayrshire (although grouped with financial services).

Edinburgh and Lothians

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.12: Modern Apprenticeship Starts, Edinburgh and Lothians, 2013/14

MA Framework	Total
Accounting	5
Business and administration	300
Customer services and contact centres	145
ICT profession	10
IT and telecommunications	90
Management	150
Providing financial services	30
MAs relevant to Business Services	730
All MAs	3,260
MAs relevant to Business Services as a % of All MAs	22.4

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.13: College Provision (SUMS), Edinburgh and Lothians, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	14,620	8.5	5,950	7.5
Computing & ICT	13,480	7.8	2,150	2.7
Languages & ESOL	5,120	3.0	11,090	14.0
All subjects	172,680	100.0	78,940	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.14: University Students, Edinburgh and Lothians, 2012/13

Subject	No.	%
Business and Administrative studies	10,430	17.2
Computer Sciences	2,630	4.3
European Languages, Literature and related subjects	1,370	2.3
Languages	480	0.8
Law	1,950	3.2
Mathematical and Computer Sciences	1,440	2.4
Technologies	80	0.1
All subjects	60,610	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.15: HE Graduates by Industry, Edinburgh and Lothians, 2011/12

Industry	No.	%
Administrative and support service activities	240	2.3
Professional, scientific and technical activities	1,130	10.8
Graduates Total	10,420	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In GVA terms, business services is a slightly larger share of the regional economy than in Scotland as a whole.
- The RSA notes that the region has a high specialisation in employment terms in business services – but groups with financial services.
- Business services, again grouped with financial services, is among the two largest Growth Sectors in the region.

Fife

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.16: Modern Apprenticeship Starts, Fife, 2013/14

MA Framework	Total
Accounting	5
Business and administration	105
Customer services and contact centres	45
ICT profession	5
IT and telecommunications	20
Management	105
Providing financial services	40
MAs relevant to Business Services	325
All MAs	2,045
MAs relevant to Business Services as a % of All MAs	15.9

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.17: College Provision (SUMS), Fife, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	9,880	8.6	4,070	11.8
Computing & ICT	7,500	6.6	3,230	9.4
Languages & ESOL	2,240	2.0	550	1.6
All subjects	114,330	100.0	34,410	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.18: University Students, Fife, 2012/13

Subject	No.	%
Business and Administrative studies	770	7.5
Computer Sciences	310	3.0
European Languages, Literature and related subjects	1,120	10.9
Languages	30	0.3
Law	0	0.0
Mathematical and Computer Sciences	420	4.1
Technologies	0	0.0
All subjects	10,310	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.19: HE Graduates by Industry, Fife, 2011/12

Industry	No.	%
Administrative and support service activities	30	2.1
Professional, scientific and technical activities	130	9.2
Graduates Total	1,420	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In GVA terms, business services in Fife account for only 7% relative to Scotland's 10%.
- Employment in business services is also lower than the Scottish average at 6% versus 8%.
- Business services – grouped with financial services – is one of the two largest Growth Sectors in the region.
- In terms of Fife College full time provision, business services along with construction and ICT were accounting for less than 10% of provision – although business services in fact is not clearly separated out in the chart showing the main subject areas.

Forth Valley

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.20: Modern Apprenticeship Starts, Forth Valley, 2013/14

MA Framework	Total
Accounting	5
Business and administration	125
Customer services and contact centres	125
ICT profession	5
IT and telecommunications	35
Management	65
Providing financial services	15
MAs relevant to Business Services	375
All MAs	1,760
MAs relevant to Business Services as a % of All MAs	21.3

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.21: College Provision (SUMS), Forth Valley, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	4,980	8.9	1,360	4.3
Computing & ICT	4,180	7.4	1,740	5.6
Languages & ESOL	0	0.0	1,020	3.3
All subjects	56,130	100.0	31,350	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.22: University Students, Forth Valley, 2012/13

Subject	No.	%
Business and Administrative studies	2,190	21.2
Computer Sciences	0	0.0
European Languages, Literature and related subjects	170	1.6
Languages	0	0.0
Law	320	3.1
Mathematical and Computer Sciences	110	1.1
Technologies	0	0.0
All subjects	10,340	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.23: HE Graduates by Industry, Forth Valley, 2011/12

Industry	No.	%
Administrative and support service activities	60	3.1
Professional, scientific and technical activities	90	4.6
Graduates Total	1,960	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In terms of GVA, business services is less important in Forth Valley than in Scotland as a whole.
- Employment in business services is also lower in proportionate terms than in Scotland as a whole.
- Business services – grouped with financial services – is one of the two largest Growth Sectors in the region.
- In terms of Forth Valley College full time provision, business services along with construction and ICT were accounting for less than 10% of provision – although business services in fact is not clearly separated out in the chart showing the main subject areas.

Glasgow and Clyde Valley

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.24: Modern Apprenticeship Starts, Glasgow and Clyde Valley, 2013/14

MA Framework	Total
Accounting	40
Business and administration	1,015
Customer services and contact centres	535
ICT profession	20
IT and telecommunications	215
Management	395
Providing financial services	175
MAs relevant to Business Services	2,395
All MAs	8,980
MAs relevant to Business Services as a % of All MAs	26.7

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.25: College Provision (SUMS), Glasgow and Clyde Valley, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	58,370	10.8	12,030	5.8
Computing & ICT	41,620	7.7	18,680	9.0
Languages & ESOL	8,240	1.5	22,210	10.7
All subjects	538,400	100.0	206,840	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.26: University Students, Glasgow and Clyde Valley, 2012/13

Subject	No.	%
Business and Administrative studies	12,290	15.5
Computer Sciences	3,350	4.2
European Languages, Literature and related subjects	2,280	2.9
Languages	0	0.0
Law	3,260	4.1
Mathematical and Computer Sciences	1,130	1.4
Technologies	410	0.5
All subjects	79,140	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.27: HE Graduates by Industry, Glasgow and Clyde Valley, 2011/12

Industry	No.	%
Administrative and support service activities	270	2.1
Professional, scientific and technical activities	970	7.6
Graduates Total	12,720	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- Business services carry the same weight in Glasgow and Clyde Valley as in Scotland as a whole on the measure of GVA.
- Business services is the second largest sector in terms of employment – covering facilitated support, cleaning of buildings, temping agencies, call centres and accounting activities.
- Business services – grouped with financial services – is one of the two largest Growth Sectors in the region.

Glasgow

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.28: Modern Apprenticeship Starts, Glasgow, 2013/14

MA Framework	Total
Accounting	15
Business and administration	420
Customer services and contact centres	190
ICT profession	10
IT and telecommunications	60
Management	125
Providing financial services	75
MAs relevant to Business Services	895
All MAs	3,565
MAs relevant to Business Services as a % of All MAs	25.1

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.29: College Provision (SUMS), Glasgow, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	40,670	14.1	5,420	4.8
Computing & ICT	24,730	8.6	11,730	10.5
Languages & ESOL	4,700	1.6	20,690	18.5
All subjects	288,420	100.0	111,780	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.30: University Students, Glasgow, 2012/13

Subject	No.	%
Business and Administrative studies	10,210	15.3
Computer Sciences	2,160	3.2
European Languages, Literature and related subjects	2,250	3.4
Languages	0	0.0
Law	2,680	4.0
Mathematical and Computer Sciences	1,130	1.7
Technologies	400	0.6
All subjects	66,910	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.31: HE Graduates by Industry, Glasgow, 2011/12

Industry	No.	%
Administrative and support service activities	220	2.0
Professional, scientific and technical activities	910	8.3
Graduates Total	11,000	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- Business services in the Glasgow region is proportionately stronger than Scotland as a whole using the measure of GVA.
- Business services is the second largest employing sector in the Glasgow region after health.
- Business services – grouped with financial services – is one of the two largest Growth Sectors in the region.

Highlands and Islands

There is no Highlands and Islands RSA but statistical evidence is available through the RSA data matrix. Skills Development Scotland, in partnership with Highlands and Islands Enterprise, Scottish Funding Council and the Scottish Government, published a Skills Investment Plan (SIP) for the Highlands and Islands⁹ in 2014 and the key commentary on business services has been extracted from this.

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.32: Modern Apprenticeship Starts, Highlands and Islands, 2013/14

MA Framework	Total
Accounting	25
Business and administration	100
Customer services and contact centres	50
ICT profession	55
IT and telecommunications	20
Management	60
Providing financial services	10
MAs relevant to Business Services	320
All MAs	2,385
MAs relevant to Business Services as a % of All MAs	13.4

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.33: College Provision (SUMS), Highlands and Islands, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	4,040	5.0	1,180	2.8
Computing & ICT	2,980	3.7	3,890	9.2
Languages & ESOL	1,740	2.2	3,420	8.1
All subjects	80,530	100.0	42,260	100.0

Source: Skills Development Scotland Regional Skills Assessments

⁹ Skills Development Scotland (2014). *Skills Investment Plan for Highlands and Islands*.

Figure A2.34: University Students, Highlands and Islands, 2012/13

Subject	No.	%
Business and Administrative studies	1,620	20.0
Computer Sciences	450	5.6
European Languages, Literature and related subjects	10	0.1
Languages	0	0.0
Law	10	0.1
Mathematical and Computer Sciences	0	0.0
Technologies	120	1.5
All subjects	8,100	100.0

Source: Skills Development Scotland Regional Skills Assessments

Notes: 1. Tayside includes those on HE level courses delivered at UHI (Perth Campus). There is therefore an element of double counting with the Highlands and Islands figures, which also include UHI (Perth Campus).

2. Due to the unique nature of UHI, sub-degree students (mainly at HN-level) will be included in their 'University' data return (along with their First Degree and Postgraduate students).

Figure A2.35: HE Graduates by Industry, Highlands and Islands, 2011/12

Industry	No.	%
Administrative and support service activities	30	1.5
Professional, scientific and technical activities	40	2.0
Graduates Total	2,010	100.0

Source: Skills Development Scotland Regional Skills Assessments

Note: Tayside those from HE level courses delivered at UHI (Perth Campus). There is therefore an element of double counting with the Highlands and Islands figures, which also include UHI (Perth Campus).

Commentary on Business Services in SIP for Highlands and Islands

- Identifies business services as one of the 'new industries' in the Highlands and Islands that is making a significant contribution towards Scotland's success – and anticipates that it will continue to do so in the future.
- In considering the recent performance of the Highlands and Islands economy, identifies that the growth in financial and business services has been driven by inward investment – with a particular focus in business process outsourcing. There is a concentration of these activities within the Inner Moray Firth area.
- The SIP suggests that there is some anecdotal evidence that a key skills requirement within the finance and business services sector is for IT vendor qualifications.
- Business services is identified as one of the sectors likely to experience the greatest increase in jobs (alongside energy and life sciences). These are expected to be concentrated in Inner Moray Firth area (centred around Inverness).
- Linked to this, it is estimated that 10-15% of ICT and digital technologies job opportunities in Scotland could be in the Highlands and Islands. Whilst these will be spread across all sectors, the SIP anticipates there will be a concentration within business services.

Lanarkshire

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.36: Modern Apprenticeship Starts, Lanarkshire, 2013/14

MA Framework	Total
Accounting	25
Business and administration	450
Customer services and contact centres	230
ICT profession	5
IT and telecommunications	125
Management	205
Providing financial services	90
MAs relevant to Business Services	1,130
All MAs	4,070
MAs relevant to Business Services as a % of All MAs	27.8

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.37: College Provision (SUMS), Lanarkshire, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	8,020	6.3	3,290	7.0
Computing & ICT	9,650	7.6	3,040	6.4
Languages & ESOL	640	0.5	680	1.4
All subjects	126,690	100.0	47,200	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.38: University Students, Lanarkshire, 2012/13

Subject	No.	%
Business and Administrative studies	560	13.3
Computer Sciences	170	4.0
European Languages, Literature and related subjects	0	0.0
Languages	0	0.0
Law	390	9.3
Mathematical and Computer Sciences	0	0.0
Technologies	10	0.2
All subjects	4,210	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.39: HE Graduates by Industry, Lanarkshire, 2011/12

Industry	No.	%
Administrative and support service activities	10	1.9
Professional, scientific and technical activities	20	3.8
Graduates Total	530	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In terms of the proportion of regional GVA, business services is largely less important than in Scotland as a whole.
- Business services employment in the region and in Scotland is the same in proportionate terms, and business services is the fourth largest sector in employment terms.
- In employment terms, business services – bracketed with financial services – is one of the two largest Growth Sectors in the region.

South of Scotland

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.40: Modern Apprenticeship Starts, South of Scotland, 2013/14

MA Framework	Total
Accounting	5
Business and administration	105
Customer services and contact centres	40
ICT profession	5
IT and telecommunications	5
Management	30
Providing financial services	5
MAs relevant to Business Services	195
All MAs	1,165
MAs relevant to Business Services as a % of All MAs	16.7

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.41: College Provision (SUMS), South of Scotland, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	3,050	6.3	440	4.4
Computing & ICT	2,020	4.2	400	4.0
Languages & ESOL	0	0.0	340	3.4
All subjects	48,280	100.0	10,110	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.42: University Students, South of Scotland, 2012/13

Subject	No.	%
Business and Administrative studies	200	11.2
Computer Sciences	50	2.8
European Languages, Literature and related subjects	10	0.6
Languages	0	0.0
Law	0	0.0
Mathematical and Computer Sciences	0	0.0
Technologies	0	0.0
All subjects	1,790	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.43: HE Graduates by Industry, South of Scotland, 2011/12

Industry	No.	%
Administrative and support service activities	0	0.0
Professional, scientific and technical activities	20	8.7
Graduates Total	230	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In terms of GVA, business services contribution in the region is well below that at the Scottish level.
- Only 3% of employment in the region is in business services compared to the Scottish figure of 8%.

Tayside

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.44: Modern Apprenticeship Starts, Tayside, 2013/14

MA Framework	Total
Accounting	5
Business and administration	135
Customer services and contact centres	100
ICT profession	5
IT and telecommunications	15
Management	95
Providing financial services	30
MAs relevant to Business Services	385
All MAs	2,260
MAs relevant to Business Services as a % of All MAs	17.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.45: College Provision (SUMS), Tayside, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	13,550	12.2	500	9.8
Computing & ICT	7,580	6.8	230	4.5
Languages & ESOL	6,520	5.9	620	12.2
All subjects	110,760	100.0	5,080	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.46: University Students, Tayside, 2012/13

Subject	No.	%
Business and Administrative studies	1,910	8.3
Computer Sciences	1,290	5.6
European Languages, Literature and related subjects	350	1.5
Languages	40	0.2
Law	1,170	5.1
Mathematical and Computer Sciences	200	0.9
Technologies	170	0.7
All subjects	22,900	100.0

Source: Skills Development Scotland Regional Skills Assessments

Note: Tayside includes those on HE level courses delivered at UHI (Perth Campus). There is therefore an element of double counting with the Highlands and Islands figures, which also include UHI (Perth Campus).

Figure A2.47: HE Graduates by Industry, Tayside, 2011/12

Industry	No.	%
Administrative and support service activities	50	1.2
Professional, scientific and technical activities	220	5.1
Graduates Total	4,290	100.0

Source: Skills Development Scotland Regional Skills Assessments

Note: Tayside those from HE level courses delivered at UHI (Perth Campus). There is therefore an element of double counting with the Highlands and Islands figures, which also include UHI (Perth Campus).

Commentary on Business Services in RSAs

- In relation to GVA, business services contribution in the region is well below the Scottish average.
- The proportion of jobs in business services at 6% is below the Scottish average of 8%.

West Region

Skills Supply Position

From the data matrix the following tables summarise the skills supply position of relevance to business services.

Figure A2.48: Modern Apprenticeship Starts, West of Scotland, 2013/14

MA Framework	Total
Accounting	5
Business and administration	220
Customer services and contact centres	165
ICT profession	10
IT and telecommunications	55
Management	95
Providing financial services	35
MAs relevant to Business Services	585
All MAs	2,295
MAs relevant to Business Services as a % of All MAs	25.5

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.49: College Provision (SUMS), West of Scotland, 2012/13

Subject	Full-time		Part-time	
	SUMS	%	SUMS	%
Business, management & admin	9,690	7.9	3,320	6.9
Computing & ICT	7,240	5.9	3,900	8.1
Languages & ESOL	2,900	2.4	850	1.8
All subjects	123,300	100.0	47,860	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.50: University Students, West of Scotland, 2012/13

Subject	No.	%
Business and Administrative studies	1,520	19.0
Computer Sciences	1,020	12.7
European Languages, Literature and related subjects	30	0.4
Languages	0	0.0
Law	190	2.4
Mathematical and Computer Sciences	0	0.0
Technologies	0	0.0
All subjects	8,020	100.0

Source: Skills Development Scotland Regional Skills Assessments

Figure A2.51: HE Graduates by Industry, West of Scotland, 2011/12

Industry	No.	%
Administrative and support service activities	40	3.4
Professional, scientific and technical activities	40	3.4
Graduates Total	1,180	100.0

Source: Skills Development Scotland Regional Skills Assessments

Commentary on Business Services in RSAs

- In terms of GVA, business services contribution is a little below the Scottish average.
- The share of regional employment generated by business services at 8% is the same as the Scottish average.
- Business services – bracketed with financial services – is one of the two largest Growth Sectors in the region.