

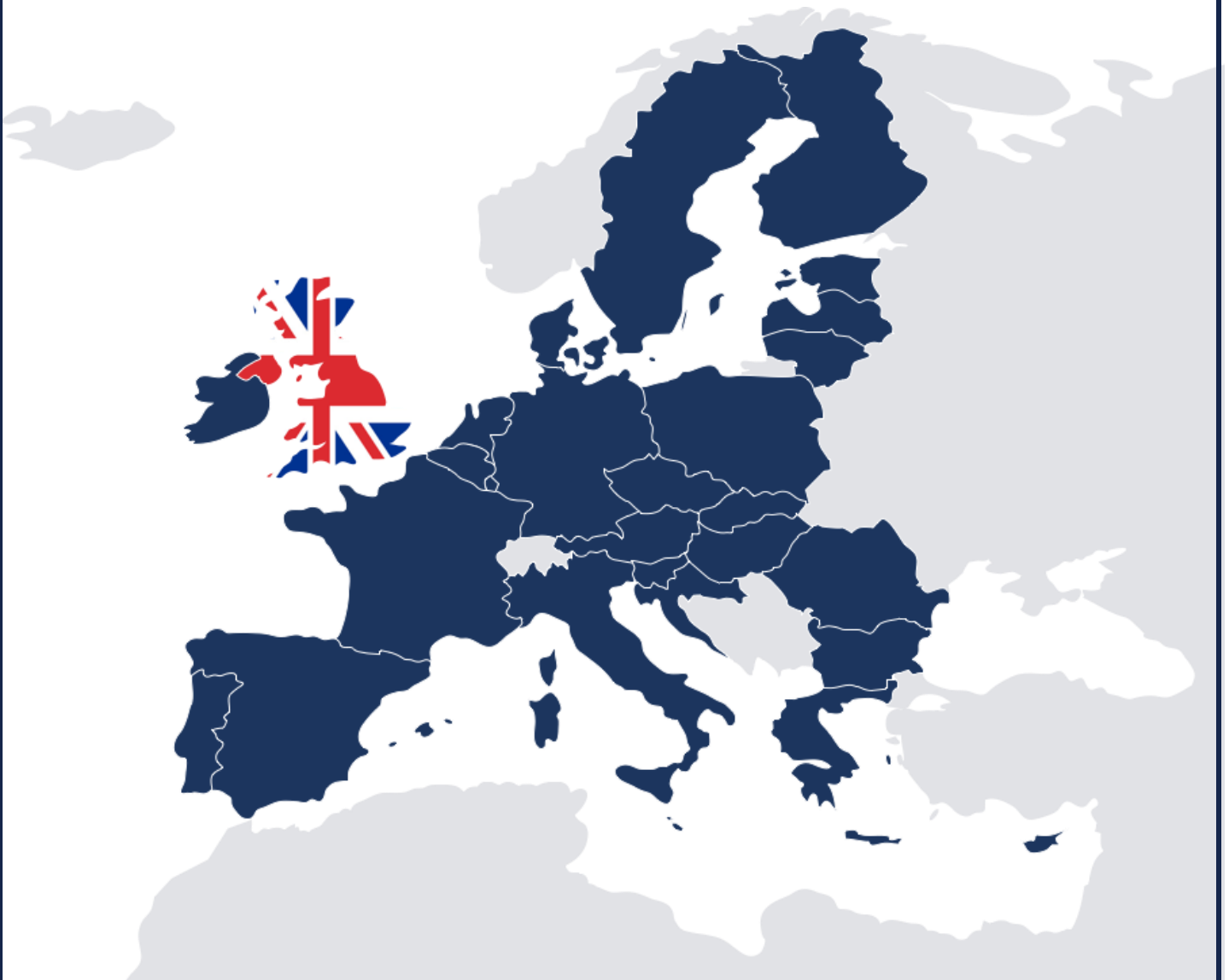
Rail Delivery Group



National Rail



Brexit Labour and Skills





Key Requests

The rail industry wishes to be able to recruit the best people for the job from anywhere around the world in order to support an industry critical to the UK economy



The rail industry requests support from Government to support the medium to long-term up-skilling and recruitment into the sector in order to mitigate any potential negative affects of Brexit



240,000 are employed in the rail industry in Great Britain.



Employers range in size from small to medium enterprises to Network Rail which employs 37,000 people across the country.



20% of the total rail industry workforce are non UK EU nationals. For some businesses this is as high as **40%**.



The railway industry is facing the joint challenges of an ageing workforce, changing skills requirements due to digitalisation and future major projects. This results in a requirement to recruit **100,000** people over the next 10 years to replace retiring staff and cope with growth.

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Paper written in partnership with



Railway Industry Association **RAIL**



1 Why is rail important

Rail plays an ever more crucial role in Britain, with long-term growth in passengers and freight. The purpose of the Rail Delivery Group (RDG) is to enable Network Rail and passenger and freight operating companies to succeed by delivering better services for their customers. This ultimately benefits taxpayers and the economy.

Our work is focused on four transformational portfolios to: enable improvements in today's railway, transform customer experience, inform industry reform to enable excellence, and plan for tomorrow's railway. This activity is supported by communications and engagement with stakeholders, and improvements in how the RDG is organised and operates. While the RDG works for all its members, it also provides support and gives a voice to freight and passenger operators. We also work in close partnership with the rail supply chain.

The railway is integral to the British economy. The rail network transports millions of commuters to their workplaces and freight goods vital for business.

Independent analysis shows that the rail industry and supply chain contribute up to £10.1bn in gross value added (GVA) to the economy every year and enhances the productivity of the UK by an estimated £11.3bn by reducing road congestion and enabling companies to locate closer to each other. In addition to this, some 240,000 people are employed by the rail industry and its supply chain. Working together, we are investing over £50bn to improve for the benefit of everyone in the UK - now and for the long term.

2 Background to Brexit

On 23 June 2016 a referendum on the United Kingdom's (UK) membership of the European Union (EU) was held with a majority of voters in favour of the UK leaving the EU. On 29 March 2016, the Government triggered Article 50 of the Treaty of the European Union. This began the process allowing the remaining 27 Member States to agree on what future relationship between the UK and EU will look like. The maximum time between triggering the article and the UK leaving the EU is two years unless there is a unanimous vote of the Council to extend this period.

3 About NSAR

The National Skills Academy for Rail is an organisation established to enable the sector to deliver a modern and efficient, world class railway through the development of a highly skilled and productive workforce.

NSARE was established in November 2010, and NSARE Limited was incorporated in January 2011 as a 'not for profit' company, wholly owned by its Members. In December 2015, the organisation dropped the 'E' from our name to reflect the wider industry view that we focus on all aspects of the rail industry not just the engineering elements.

4 Introduction to skills and labour

4.1 Free movement of people

One of the four freedoms of the European Union (EU) is the free movement of people. This means that EU citizens have the right to live and work in any other Member State.

It is unclear what the status of the EU citizens currently in the UK will be following the conclusion of the Brexit negotiations. Furthermore there are no clear indications what the future arrangement will be although there is a general policy objective of the current Government to reduce overall immigration into the UK.

This paper works on the assumption that it is very unlikely that Government policy will be to retain free movement of people.

4.2 Rail employment

Over 240,000 people work in the rail industry in Great Britain. Recent industry surveys by NSAR have demonstrated that between 15% and 20% of the industry's workforce is from non UK EU countries, and primarily operate at lower skilled levels. This percentage is greater in London and the South East estimated to be as high as 50%.

Notwithstanding Brexit, the railway industry is facing the combined challenges of an ageing workforce, changing skills requirements due to digitalisation and future major projects. This results in a requirement to recruit around 100,000 people over the next 10 years to replace retiring staff and cope with growth. Research highlights the cost of not securing these new resources as £300m per annum to the rail industry and £380m each year to government by 2024.

In brief, the industry has five main direct areas of shortage, mainly in core engineering disciplines and train drivers. Unsurprisingly these are typically weighted toward the southern half of the UK. The

CASE STUDY: SUPPLY CHAIN COMMITMENT TO TRAINING

The rail supply chain, as part of its work with NSAR has committed to:

1. Implement Rail Sector Skills Delivery Plan in collaboration with the wider rail industry
2. Double annual investment in training and retraining
3. Create and retain 40,000 highly skilled jobs as our contribution to the overall industry target of 100,000.
4. Create a similar proportion of apprenticeships in relation to the industry target of 20,000 new apprenticeships by 2020
5. Ensure that 20% of initial new recruits are female and fully adopt wider diversity best practice
6. Provide £10m co-funding for a campaign to promote rail as an attractive place to work building on the work of 'Routes into Rail' and 'Britain Runs on Rail'.
7. Collaborate with government and other sectors to improve wider skills initiatives

'core' role shortages are well documented and we are responding to them but expect, as roles become increasingly 'digital', to see shortages here too as there will be insufficient supply and competing demand.

The Royal Academy for Engineering's recent report entitled 'Engineering a future outside the EU: securing the best outcome for the UK' addresses the need to ensure the UK remains an attractive place to do business. Much like the outcome of this report, this paper identifies that whilst the exact impact of Brexit is unknown, the correct conditions must be created at Government level for the UK to

continue to attract a high level of foreign direct investment through ensuring that the costs, regulatory frameworks and future international trade deals make the UK 'welcoming and open for business'.

A major concern for several employers in the rail industry is the uncertainty attached to retaining their current EU workforce. It has been suggested that Brexit could create more localisation of skillsets through a fear of not being able to obtain skilled workers from overseas. Despite this, employers continue to recruit individuals based on their merits, their skillset and having gained the rights to work in the UK, irrespective of their country of origin.

The industry has also highlighted the need to retain fully trained overseas students within the pool of qualified people available in the UK. Industry leaders have identified a trend where students gaining mechanical, electrical and software qualifications in the UK are returning to their countries of origin. This creates an additional challenge through the need to not only promote a career in transport as a fruitful career, but also make the UK favourable as a career destination.

5 Summary of strengths and weaknesses of EU labour and skills framework

In light of the introduction above, the strength, weakness, opportunities and threats associated with Brexit are identified below.

Strength of the EU skills and labour framework

- Easy access to wide talent pool
- Access to universities
- Flexibility of workforce
- Experienced workforce to apply knowledge
- UK as an attractive destination
- International workforce - expertise
- More control over labour costs
- Large pool of flexible workers (high, medium and low skilled)
- Linguistic capabilities (especially for international operators)

Weakness of the EU skills and labour framework

- Reduced incentive of companies to train own workers
- Looking to EU rather than wider labour market because it's easier

Opportunity if EU framework not available

- Incentive to develop own sustained workforce levels

Threat if UK not part of EU framework

- Consulting industries may not operate in the UK because they go to the EU
- Flexibility about workers bringing their family
- Labour shortage – Increased costs
- Lose some British workforce who take up permanent EU residency
- Investment in training more costly
- Regional variances would be exacerbated
- Inability to smooth peaks in demand with flexible workforce

- Inability to recruit skills unlikely to be available within the UK, even with more training (languages)

A summary of how threats and opportunities may be managed are proposed in Annex I of this document.

6 Policy questions

6.1 How can the rail industry maintain a flexible workforce?

Whilst efforts are made in the sector to have smooth delivery of works over a control period, there are inevitable peaks when major projects and renewals take place. There are also regional variances as to where work is taking place.

This requires a flexible workforce not only to satisfy peaks in demand, but also to be able to respond to regional requirements.

The industry asks Government to consider how this challenge may be met in relation to any changes in policy for the free movement of EU workers.

6.2 What are the lead times for training staff?

The rail industry is committed, not only to providing high-quality employment, but also training and developing its own staff. However, if there were to be changes in Government policy on immigration and the free movement of workers from the EU, the sector would need time to adapt and prepare. Below are some examples of the training times for certain roles:

- International train drivers, including language courses, one year (plus 3 years continuous main line driving experience on electric traction and impeccable safety record)
- Track engineer, via apprenticeship scheme, three years
- Signaller, nine weeks basic course, can be longer for more complex roles
- Vehicle Engineer supply chain, degree plus two year training programme
- Chartered Engineer, Masters Degree plus four year structured development programme

7 Preparatory work

To respond to the challenge of the rail industry needing to recruit heavily into the rail sector, it has come together to set out the Rail Sector Skills Delivery Plan. This delivery plan has been developed by the industry for the industry with an input from over 60 businesses. Based on research, analysis and collaboration, the plan will help resource rail to have the right people in the right place at the right time. Although not designed to address the emerging risks associated with Brexit, it will form part of the mitigation plan. A summary of the delivery plan is included below.

Rail Sector Skills Delivery Plan

- ⌚ Ageing workforce
- 🔧 Technology changes
- 👥 Lack of diversity
- 📈 Increase demand for rail
- ⚙️ Improve productivity



Future Sector Skills Shortage



Identified Priorities of Delivery



Right People



Right Place



Right Time

Resourcing Rail



2016

Training & Assurance Standards & Qualifications Recruitment & Retention Promotion & Attraction Intelligence Leadership



Resourcing Rail

2020



Right People



Right Place



Right Time

2030

Training & Assurance

- World class quality assurance
- Fit for purpose trainers and assessors capability
- Optimisation of sectoral training provision

Standards & Qualifications

- Develop sectoral apprenticeships strategy
- Develop common modern curriculum
- Focus on new technologies and management development

Recruitment & Retention

- Develop sectoral career path
- Upskilling workforce
- Setup a sectoral clearing house

Promotion & Attraction

- Positive industry image
- Provide Regional engagement
- Increase diversity

Intelligence

- Develop strategic forecasting tool
- Agree KPIs for monitoring progress

Leadership

- Cross industry group to deliver plan and vision
- Develop agreed sectoral pledges
- Integrate skills into commercial contracts

8 Further information

Rail Delivery Group (RDG) has produced in depth analysis of the impact of Brexit on the rail industry across a number of topic areas. These papers are available on request.

9 About the contributors

 	<p>The purpose of the Rail Delivery Group (RDG) is to enable Network Rail and passenger and freight operating companies to succeed by delivering better services for their customers. This ultimately benefits taxpayers and the economy. As a representative body for the whole industry RDG provides a voice for both passenger train and freight train operators. RDG also provides important ticketing, information and reservation services for passengers on behalf of our members' companies.</p>
	<p>The National Skills Academy for Rail is an organisation established to enable the sector to deliver a modern and efficient, world-class railway through the development of a highly skilled and productive workforce.</p>
	<p>The Rail Supply Group (RSG) aims to strengthen the capability and competitiveness of the UK rail supply chain to grow business at home and abroad.</p>
	<p>The Railway Industry Association (RIA) is the representative body for UK-based suppliers of equipment and services to the world-wide industry. It has around 200 member companies, active across the whole range of railway supply. That range is exceptionally diverse and includes many skills and resources which were previously part of the national railway undertaking but which now operate commercially in the private sector.</p>
	<p>Through research, standards, analysis and insight, RSSB supports its members and stakeholders in driving improvements in health and wellbeing and delivering a safer, more efficient and sustainable rail system.</p>

10 Annex 1: Opportunity and threat register

The matrices below are used for standardised ranking of opportunities and threats.

		Impact				
Risks	Likelihood	Negligible	Minor	Moderate	Significant	Severe
	Expected	Low/Med	Med	Med/High	High	High
	Likely	Low	Low/Med	Med	Med/High	High
	Possible	Low	Low/Med	Med	Med/High	Med/High
	Unlikely	Low	Low/Med	Low/Med	Med	Med/High
	Very Unlikely	Low	Low	Low/Med	Med	Med

		Impact				
Opportunities	Likelihood	Negligible	Minor	Moderate	Significant	Strategic
	Expected	Low/Med	Med	Med/High	High	High
	Likely	Low	Low/Med	Med	Med/High	High
	Possible	Low	Low/Med	Med	Med/High	Med/High
	Unlikely	Low	Low/Med	Low/Med	Med	Med/High
	Very Unlikely	Low	Low	Low/Med	Med	Med

Indicative Definitions	Likelihood		Opportunity		Risk	
	Expected	>90% chance	Negligible	one segment no £ value one-off	Negligible	one segment no £ value one-off
	Likely	51-90% chance	Minor	> one segment low value > one instance	Minor	> one segment low value > one instance
	Possible	21-50% chance	Moderate	> one segment medium value medium-long term repeating	Moderate	> one segment medium value medium-long term repeating
	Unlikely	11-20% chance	Significant	whole industry medium value long term repeating	Significant	whole industry medium value long term repeating
	Very Unlikely	< 10% chance	Strategic	whole industry high value long term repeating	Severe	whole industry high value long term repeating

Timescale	Definition
Brexit Day	30 March 2019 i.e. the day the UK is projected to leave the EU
Immediate	Between now and Brexit Day
Short-term	From Brexit Day to the end of 2020
Medium-term	From 1 January 2021 to the end of Control Period 6 i.e. 31 March 2024
Long-term	During Control Period 7 i.e. 1 April 2024 to 31 March 2029
Very long-term	Beyond 1 April 2029

Threat	RAG	Mitigation	Timeframe
Consulting industries reduce their presence and delivery in the UK and relocate to the EU.	Medium	One respondent suggested that companies could be incentivised to stay in the UK through a favourable tax regime.	Medium term
EU workforce leave the UK before 'Brexit Day' resulting in an immediate skills/labour gap that is impossible to fill. Anecdotal evidence from the construction industry indicates as many as 30% of their eastern European workforce has left the UK since the referendum.	High	The rail industry will work to ensure that its current staff, regardless of background feel welcome. Most organisations run diversity and inclusion programmes. Staff can be given more information with regards to their rights to remain in the UK.	Immediate
Lack of flexibility for workforce to co-locate family makes UK less attractive	Low/Med	Relies on Government policy to allow families to remain.	Medium term
Labour shortage increases costs in current and next control periods	High	In the short term, any labour shortages could be addressed via an appropriately constructed visa programme. Over the longer term, any labour shortages should be addressed by attracting more skilled UK based employees to the rail industry, building on the work already being undertaken by the National Skills Academy for Rail.	Short to medium term
Labour shortage increases costs in long term	High	The Rail Sector Skills Delivery Plan will go some way to mitigate this risk.	Long term
Loss of British workforce	Low	Encouraging British workforce development.	Long term
Costs associated with training increase	Med/High	The Rail Sector Skills Delivery Plan will go some way to mitigate this risk. However, some of the assumptions and numbers may need to be revisited.	Medium term
Inability to recruit skills unlikely to be available within the UK, even with more training	High	Relies on Government to recognise specific skills needed for international services	Medium term
Regional issues and variances are exacerbated	High		Medium term

Opportunity	RAG	How to exploit	Timeframe
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Opportunity	RAG	How to exploit	Timeframe
Incentive to develop our own sustainable workforce	Lo/Med	The Rail Sector Skills Delivery Plan will go some way to realising this opportunity.	Very long term

