

## **Written evidence from the National Skills Academy for Rail (SFF0007)**

### **About NSAR:**

NSAR (the National Skills Academy for Rail) operates as a non-profit membership organisation and consultancy, offering strategic guidance, data analysis, and expertise on skills-related matters within the rail, rail engineering and Infrastructure industries. Additionally, NSAR offers in-depth analysis, data insights, and policy recommendations on various rail and skills-related policy issues. NSAR welcomes the opportunity to submit to this inquiry.

### **What skills do you think will be needed for the future of the UK economy? Is the UK's skills and training system capable of equipping increasing numbers of people with these skills?**

Transport skills will play a crucial role in our economic future. The rail sector alone already generates significant growth, contributes substantially to treasury revenues, and employs thousands of people across the UK. Having the right skills in rail and other modes of transport will be crucial not only for ensuring the continued contribution of these sectors to economic growth, employment, and social value but also for enabling further innovations, growth, and productivity gains. Additionally, transportation skills will be particularly vital for addressing some of the most pressing challenges the UK economy will face in the coming years, chiefly the net zero transition and the mitigation of regional disparities.

NSAR's analysis evidences the future importance of transport skills, with our data projecting that these skills will be in high demand in the coming decade, with between 409 thousand and 618 thousand extra workers needed by 2030 to make up the projected shortfall. A significant driver of this will be the demand for skills related to new technology, with data analytics, data science, software development, AI and machine learning, predictive maintenance, cybersecurity, and autonomous vehicle technologies identified by NSAR as particularly in demand across many modes of transport. The Net Zero transition is another driver, with our analysis indicating that approximately 50 thousand new jobs will be needed across transport to facilitate the transition, with an additional 85 thousand jobs requiring upskilling.

Accordingly, the UK skills system must ensure it can equip the workforce across each mode with the green and technological skills it will need, or these sectors are likely to face significant skills shortages. It is unclear whether industries and governments are on track to do this. The rail industry, for example, faces seismic skills gaps, with 153,000 additional people needed by 2030 to bridge them. NSAR analysis shows that most of

these roles will be at 2,3 and 4, skill levels often best served by apprenticeships. Delivering these skills through apprenticeships would require 5,000 apprentices per annum, or 2% of the workforce, doubling the current average level of apprenticeships in the rail sector. The fact we will need to double the number of apprentices trained from current numbers shows much more will need to be done to deliver the necessary workforce and accordingly, training capacity will need to be increased.

On a separate point, it is also worth noting that a significant portion of the skills demand in the transport sector over the next five years will have to be filled by replacing existing roles rather than generating entirely new ones. Delivering this transition will require significant upskilling and reskilling, and there will have to be adequate training capacity to provide this. A shortage of trainers could threaten industries' ability to reskill and upskill. For example, In the rail sector, NSAR has observed significant shortages of trainers (and this is likely to be mirrored in some other sectors). Failure to address existing training shortages and to develop the necessary increase in training capacity for reskilling and upskilling poses a genuine risk of us not acquiring the skills required for the UK's future economy.

**Is it clear to everyone involved in the skills system what the respective roles of the Government, employers, individuals, and institutions are within that system?**

There are some issues with clarity in the UK's skills system. It is unclear how the markets should work consistently and coherently in making skills investments because the training supply side is extremely sensitive to short-term pivoting as they follow the money, e.g. from apprenticeships to Bootcamps.

Employer-led apprenticeships have turned into a system led by the government, which aims to standardise outcomes to achieve efficiency, IFATE being an example of this. However, this focus on efficiency often reduces the usefulness and relevance of this training to employers and decreases the credibility of the training. The government designs and controls apprenticeships and T Levels, while employer involvement (vital for ensuring the system works for them) has become performative. There needs to be a rebalance of these respective roles.

**What is the appropriate level of government intervention in the development of skills policies? How can the government best add value in this area?**

The government needs to set the market conditions, let the dog see the rabbit, drive with the funding, and manage the quality – this is the appropriate level of intervention.

This is most vital when there is a public ownership responsibility, for example, the rail network. Here, governments must set market conditions by providing a clear, stable, and long-term plan/industrial strategy. This certainty is critical for industries to have the confidence needed to invest in and develop the right skills. The government has failed to provide this certainty, with the consequence being a feast-and-famine cycle of skills investment in many industries with a public ownership responsibility, such as rail.

**Are current Government policies on skills, particularly apprenticeships and training, sufficiently clear? Have policies and the institutional set-up been sufficiently consistent over time? If not, what changes or reforms would you recommend?**

The apprenticeship system is arguably too skewed towards what institutions need rather than what works for employers. Such an imbalance weakens the system, as employers need to be the driving force for it to work.

For example, there is a tendency for IFATE to undertake what they can manage rather than what employers need. Similarly, in terms of regulation, apprenticeships are based too much on the qualification model, not because this works best, but because by arranging it this way, OFQUAL can regulate them. None of this contributes to the system nor provides the external quality assurance required.

There are also arguably far too many different apprenticeship frameworks for there to be any clarity. Ten years ago, there was concern that 150 active frameworks might be too many, and we have far surpassed this number. Insufficient consideration was given to the ramifications of this widespread proliferation of frameworks on costs, the viability of target markets, and the quality of delivery and assessment at such a large scale.

**Are the right institutions in place to ensure an effective skills system for the future? Should coordinating institutions be national, regional, or sectoral, or a mixture of each?**

There is a strong argument that Ofqual is not fit for purpose. As an exam regulator, its prominent focus will be on qualifications, leading to a misalignment of expertise and potential dilution in focus on developing a well-functioning skills system.

Ofqual's standardised approach is not appropriate for apprenticeship assessment; it cannot possibly achieve the depth of knowledge across all industries to adequately assess the competence and skills of apprentices. Equally, IFATE is also arguably too detached from the basic skills and sectoral needs and the requirements within sectors of the supply chains and SMEs.

**Concerns have been raised over the operation of the Apprenticeship Levy, particularly about the decline in young people taking on apprenticeships. Is there a case for reforming the levy, for example by ring-fencing more levy funding for training for younger apprentices?**

Careful consideration should be given to changes in levy funding, weighing the potential impact of such a change on the ability of industries to secure necessary skills. While boosting the uptake of apprenticeships by young people is essential, there is a genuine risk of unintended consequences. Alterations to the funding model or ring-fencing may divert resources from other apprenticeship levels crucial for delivering skills across various industries.

Degree apprenticeships exemplify this risk. They have effectively addressed challenging skills gaps across many sectors. However, recently proposed changes to funding, which would shift them to the higher education fees and loans model, could significantly reduce the appeal of degree apprenticeships to both potential apprentices and employers.

**Should further incentives be put in place to reverse the decline in employer investment in training, and if so, what form should these incentives take?**

The government should consider introducing Increased Levy tariffs for poorer performers to address the decline in training.

**What incentives do individuals have to involve themselves in apprenticeship and training? Is the system available and attractive enough to encourage individuals to seek training, and if not, what can be done to improve this?**

Employer-led apprenticeships and training primarily originate from the supply side rather than the demand side. The foremost barrier to apprenticeships is the lack of supply. Therefore, policymakers should focus their attention on increasing supply.

However, some initiatives can work to promote participation in apprenticeships. For example, the rail sector's Routes into Rail initiative was designed to inspire and educate young individuals and career changers. Routes into Rail showcases the diverse entry pathways within the rail sector. It emphasises the inclusivity of rail careers, demonstrating a role and a career path for everyone. NSAR spearheads Routes into Rail on behalf of the rail industry. Other industries could benefit from adopting a similar model that allows young people to learn about careers in a sector and connects them with industry employers.

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