



Quarterly Talent Snapshot

Rail & Transportation | Q1 2023

Foreword

#1 Industry overview

- Increased passenger demand
- Political challenges impacting a return to growth
- STEM returners

#2 Labour market trends

- Employers focus on upskilling staff
- Pay increases struggle to keep up with inflation
- Softest fall in candidate supply since March 2021

#3 Equity, diversity & inclusion

- Disappointing Equal Pay data revealed
- STEM ambitions must be matched by a commitment to inclusion
- Lack of HR neurodiversity training

#4 Politics & economy

- Spring Budget focuses on helping inactive people return to work
- The economy still faces significant structural challenges

Conclusion

Foreword

Dr Gareth Owen, Morson Market Analyst

Across most sectors, there is an uncertain economic outlook due to geopolitical tensions, Brexit obstacles and the ongoing shadow of the pandemic that has led to rising interest rates, rising costs for businesses & consumers, talent shortages and supply chain challenges.

While a bleak economic outlook, cost of living crisis, and political turmoil have been grabbing the headlines around the world, fundamental changes have continued to take place, shaping the world of work in new ways, bringing new challenges and, critically, new solutions.

The trends I've identified in this report, drawn from a rich database of Morson candidate data, expert conversations and insight from global sources, highlight key micro and macro socio-economic factors affecting the current state of the workplace and what it means for the labour market of tomorrow.

Many of these trends will persist beyond the near-term fluctuations in the business cycle, so the goal of this report is to support employers as they navigate a turbulent talent landscape.

Rail & transportation

The Rail industry is getting back on track, as post-pandemic passenger demand has improved, leading to an increase in orders.



#1 Industry snapshot

A mixed bag of optimism & dispute

The rail industry is getting back on track, as post-pandemic passenger demand has improved, leading to an increase in orders. However, political challenges are impacting a return to growth; evidenced by delays in the HS2 project to reduce costs despite experts noting that project delays increase costs in the long term.

The Transport Secretary set out plans in Feb 2023 to reform the railways in the UK, stating that they are 'not fit for purpose' and 'financially unsustainable'. The plans include increasing the role played by the private sector to help restore financial sustainability post Covid.

There is also increased pressure from ongoing industrial disputes in the rail sector and the need to find 120,000 additional people by 2030, as reported by City & Guilds and NSAR.

Notable project headlines

Telent

To support Alstom UK's largest rail re-signalling scheme, the Cambridge Re-signalling project (£194m)

Great British Railways

Derby named as home to HQ

Siemens

Win contracts to enable solar power use for UK rail

HS2

£275m Washwood Heath Depot given green light whilst line between Birmingham and Crewe delayed by two years to cut costs

£2bn Network Rail engineering framework

Amco Giffen, Octavius, Bam Nuttall, Morgan Sindall Infrastructure, and Taylor Woodrow

£9bn Network Rail renewals scheme

VolkerFitzpatrick, Octavius, VolkerRail and Atkins

Greater Manchester

New transport devolution deal for Greater to deliver a London-style integrated public transport system - the Bee Network - by 2030

Piccadilly Line upgrade

New trains expected to be introduced on the Tube line in 2025. Half of the new train fleet will be built in the Siemens Mobility factory in Goole, East Yorkshire

Sector skills analysis

A City & Guilds and National Skills Academy for Rail (NSAR) report found that up to 120,000 additional people will be required by 2030. However, just a third (32%) of respondents said they would consider a career in the rail sector. This is particularly acute amongst women, young adults and people from BAME backgrounds.

The government needs to update its industrial and rail strategies to help address the skills shortage

A recent roundtable of industry leaders hosted at the National College of Advanced Transport and Infrastructure (NCATI) in Doncaster highlighted the need for clearer national strategies. The Industrial Strategy and Rail Strategy must be made fit for purpose to help address the skills gap in the industry.

In addition, colleges and industry should also forge closer alliances to ensure qualifications meet everyone’s needs.

68%

respondents said they would not consider a career in the rail sector.

The roundtable highlighted other key areas for action:

- **Learn from other sectors**

Engaging with organisations and industry bodies in similar sectors, such as utilities, aerospace and manufacturing, can help companies in the rail industry to learn and apply new thinking.

- **Celebrate diversity**

Combat rail’s image problem by showcasing the variety of careers available and the important role the sector plays in the UK, including its contribution to the green agenda, to attract a more diverse workforce.

- **Better signposting for career pathways**

Reduce complexities around access to apprenticeships and where to go for career progression opportunities.

Further reading:

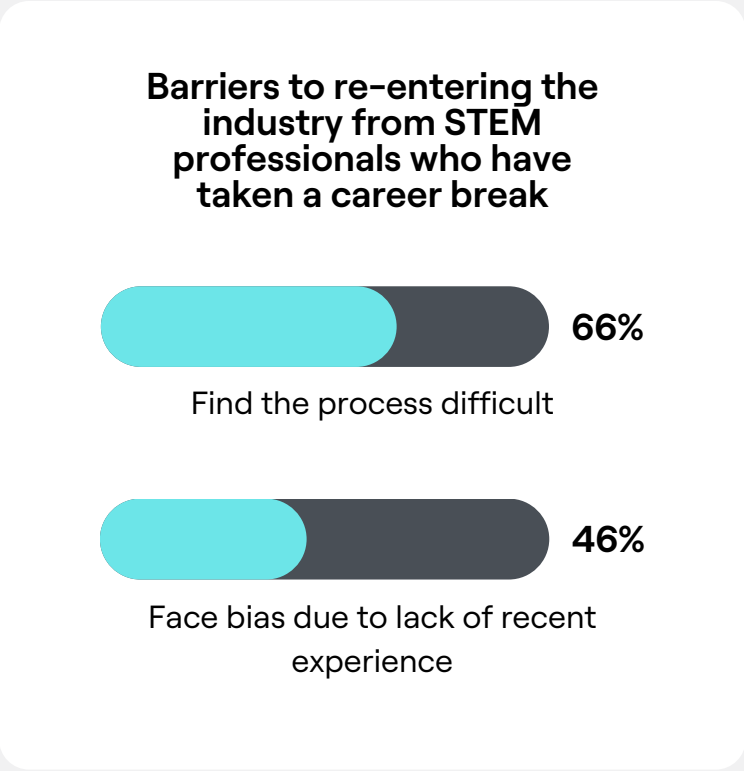
Morson Group sets a benchmark for big business involvement in the north’s levelling up with a new STEM centre and multiple scholarships at the University of Salford.



STEM Returners Programme

A ‘returners’ scheme aimed at bringing experienced engineers back into the construction industry after a career break has launched to help address the current STEM skills shortage in the UK. The fully paid placements act as ‘returnships’, re-integrating candidates into ‘inclusive environments’ when they return to work. The scheme is designed to provide opportunities to join a range of high-profile infrastructure projects.

STEM Returners’ ‘population’ of experienced professionals attempting to return to work are 46% female and 44% from ethnic minority groups, compared to 14% female and 9% from ethnic minority groups working in industry.



A challenging market: is upskilling the solution?

Permanent job vacancies in the UK fell by 19% between January and February while contract roles dropped by 14%. These figures reflect hiring difficulties across the highly skilled labour market, with employers struggling to fill open vacancies and reigning in new hiring as a result.

57% of employers have hard-to-fill vacancies, and 29% anticipate significant problems in filling hard-to-fill vacancies over the next six months.

Existing hard-to-fill vacancies are most common in:

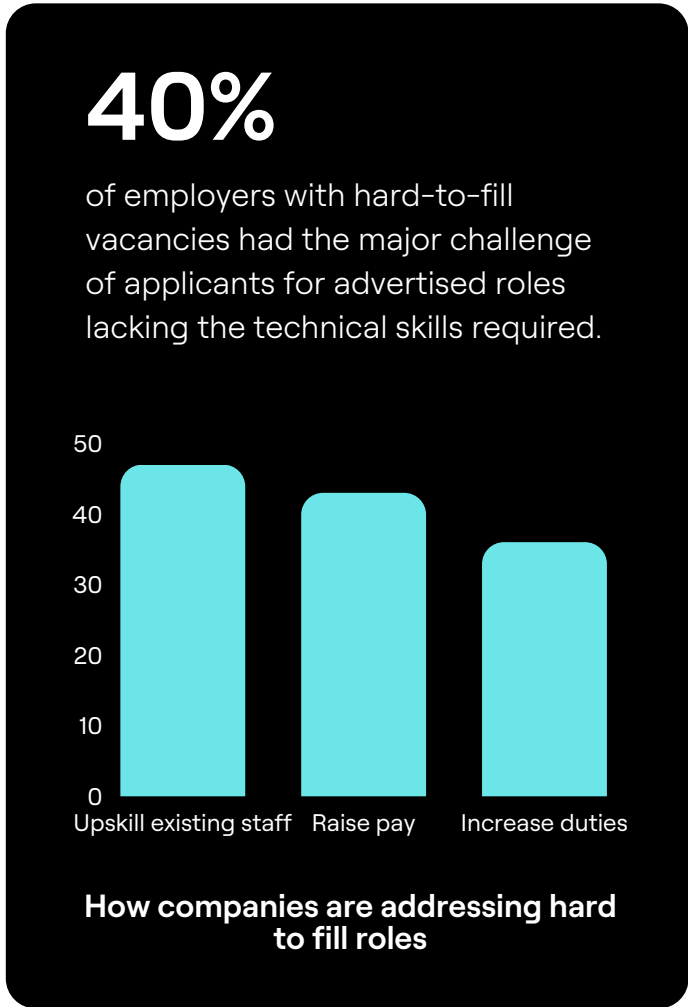
- Primary and utilities (82%)
- Healthcare (78%)
- Education (77%)

What can be done?

The top response to addressing hard-to-fill vacancies has been to upskill existing staff:

- Upskill existing staff (47%)
- Raising pay (43%)
- Increasing the duties of existing staff (36%)

Of those employers who have or plan to raise pay in response to hard-to-fill vacancies, 57% plan to achieve this by raising prices rather than lowering profits and absorbing costs (47%).



[Read the full article](#)

Raconteur

Will dedicated upskilling and reskilling programmes help the UK’s engineering workforce keep pace?

Morson contributed to this Raconteur article to share how Morson Training’s dedicated upskilling and reskilling programmes, with a unique focus on tech, are helping the UK’s engineering workforce to keep pace.

Major transportation projects such as Crossrail, HS2 and the Stonehenge Tunnel are set to rely on a transition of engineering skills. For example, the rail industry has an ageing workforce, with more than 28% of the current workforce over 50 years old. This means the focus has so far been on securing the talent pipeline, with apprenticeships forming an essential route for young people to start a career in the sector.

However, work is also ongoing to help existing workers embrace digitisation as a path to safer, more efficient and more sustainable working. Specialist engineering and technical recruitment firm Morson Group supports clients with this skills challenge through its training delivery arm, which has been heavily involved in HS2 and other major rail projects, often upskilling contractors in the use of technologies that didn’t exist when they began their careers.

“HS2 is a game-changer because of the massive investment in tech, which is advancing at such a pace that how it will look over the lifecycle of the project is unknown,” says group training director Matthew Leavis. “We need to incentivise people to adopt new ways of working and become champions of tech.”

Through its 'Pathfinders Academy', the company works with employers to retrain existing employees, those who have left the sector or retired, and people from more diverse talent pools, through digital engineering boot camps. By the end of April, the Morson training division will have trained 175 new entrants and upskilled 50 existing workers in the North West, with plans to roll out this model nationally.

Morson also runs 'train the trainer' boot camps, upskilling those in training roles to help them overcome resistance to digitisation and to use tech such as VR and digital twins as part of the training methodology.

This upskilling component is likely to be particularly important, as it should help free up entry-level roles for people coming into the sector. What’s more, ongoing training opportunities should make transport more appealing for people at all stages of their careers.



In most sectors, we're seeing clients adopting a more cautious approach to staff hires due to ongoing economic uncertainty.

At the same time, billings for temporary workers continued to expand, albeit modestly.

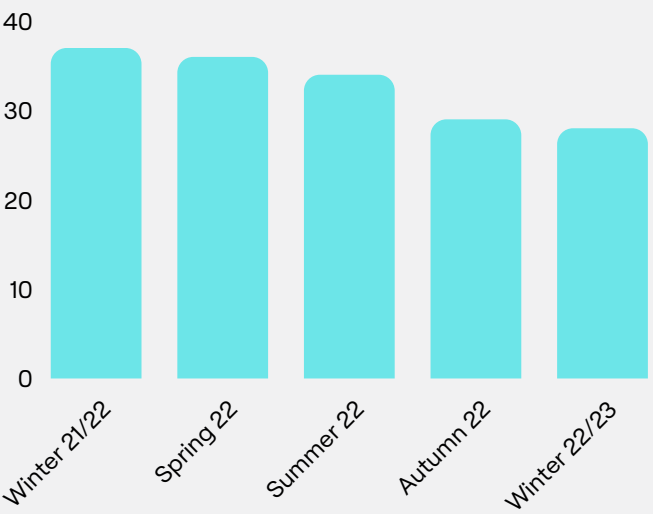
Overall vacancies continued to increase during February, with the rate of growth the best recorded for four months.

However, permanent staff appointments across the UK fell for the fifth straight, and at a slightly quicker pace than that seen in January.

Net employment balance remains positive

The net employment balance – which measures the difference between employers expecting to increase staff levels and those expecting to decrease staff levels in the next three months – remained positive at +28.

This continues to exceed pre-pandemic levels, pointing to strong employment intentions.



CIPD Labour Market Outlook

Mass redundancies lead to the softest fall in candidate supply since March 2021

The downturn in candidate availability continued to ease midway through the first quarter. Overall staff supply fell at a mild rate that was the slowest seen for nearly two years, which was underpinned by softer falls in both permanent and temp candidate numbers.

In the current economic climate, workers are increasingly reluctant to seek out new roles in the current while ongoing skill shortages also continue to weigh on staff availability. However, in some industries, notably tech, worker supply has improved due to recent redundancies by global tech firms.

Rates of starting pay continue to rise sharply

The rising cost of living and difficulties attracting and securing suitably skilled staff drove further increases in starting pay for both permanent and temporary roles in Q1. Permanent starters' salaries continued to rise at a quicker pace than temp pay.

Pay increases struggling to keep up with inflation

The median expected basic pay increase has risen from 4% to 5%, the highest since the time series started in 2012. Expected pay awards in the private sector remain at a median of 5%; however, public sector pay award expectations are at just 2%. Both are struggling to keep up with inflation.

#3 Equity, diversity & inclusion

Glacial progress on equal pay, menopause & neurodiversity

Disappointing equal pay data

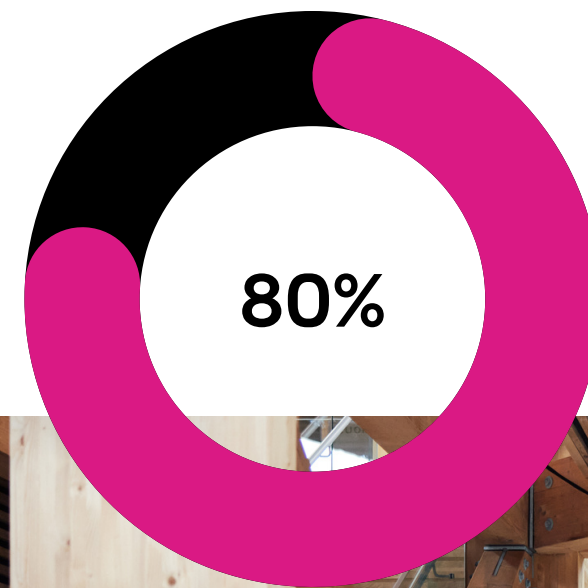
Despite efforts to narrow the divide the Financial Times reported that nearly 80% of UK employers pay men more than women on average in their organisation – a percentage that has worsened since the start of mandatory gender pay gap reporting six years ago.

The average difference between men’s and women’s median hourly pay, expressed as a percentage of men’s pay – was 12.2% in 2022-23, compared with 11.9% in 2017-18.

Education, finance and construction are the sectors with the biggest gaps – all over 22%.

The key actions for progress:

- Removing bias from the selection process
- Menopause and period-supportive workplace cultures
- Equal parenting and affordable childcare – [see #4](#)



Women being let down by “glacial” Government progress on menopause

The Government response to the Women and Equalities Committee report on menopause and the workplace is a “missed opportunity to protect vast numbers of talented and experienced women from leaving the workforce.”

The Government’s response rejects five of the Committee’s recommendations, including the recommendation to consult on making menopause a protected characteristic and pilot a specific menopause leave policy.

> [Read the report](#)

75% of HR professionals have not had specific neurodiversity training in the past 12 months

Data also suggests a third of neurodivergent workers felt they couldn’t disclose to their employer.

As neurodiverse employees may not always feel confident in disclosing their neurodivergent condition like ADHD to their employer, it is important for HR to make neurodiversity, disability or reasonable adjustments policies to ensure support is as accessible and centralised as possible.

> [Consider culture add, not culture fit: how to re-think recruitment to support neurodivergence](#)

morson.com

Two-thirds of UK women from underrepresented groups experience racism at work, report finds

The study by Catalyst found that queer women (63 per cent) and transgender women (67 per cent) with darker skin tones were “particularly likely” to experience racism, compared to cisgender and heterosexual women (49 per cent).

#3 Equity, diversity & inclusion in focus

STEM ambitions must be matched by a commitment to diversity and inclusion, say MPs

MPs highlight acute underrepresentation of people from Black Caribbean backgrounds, and others, across all STEM subjects throughout education and work.

Low uptake of physics and computer science in girls at school as well as persistent issues with women's career progression in STEM also stand out. MPs say it is "sadly notable" that many of the conclusions from a predecessor Committee's 2014 report on women in science could still apply today.

The Morson STEM Foundation Closing the STEM skills gap, inclusion first

Morson Group has established several initiatives under the umbrella of the Morson STEM Foundation to increase the visibility, and viability, of STEM career pathways and encourage participation from underrepresented communities.

From creating the innovative Morson Maker Space that teaches students real-world technical skills, to mentoring programmes, university scholarships and primary school engagement and education, Morson Group is spearheading life-changing projects that make a difference.

[Read the full article](#)



#4 Politics & econmy

Progress for returners

The Spring Budget 2023 focused on helping inactive people return to work by implementing the Chancellor's strategy to deliver long-term sustainable growth, focusing on four key priorities: Employment, Education, Enterprise and Everywhere. We summarise the key points pertinent to employers:

Reducing childcare costs to support working parents

This could be a “turning point” for working parents, who are key to building more diverse, equitable and inclusive workplaces. What’s crucial now is to ensure supply increases to meet the new demand so this commitment does not fall flat.

Keep the highly skilled in work by lowering pensions tax

This reform reduces the temptation to retire early with this move and will have a positive impact on certain employee benefits. This will also save employers significant administration costs.

Apprenticeships for those over 50

The returnerships “refine” existing skills programmes to make them more accessible to older workers. Employers must recognise that the wants and needs of over 50s may vary from younger workers, and put measures in place to directly meet their expectations. Flexible working and certain benefits such as private health schemes may be appealing to them.

More support for occupational health to keep people in work

This plan will tackle health issues keeping people out of work – with a particular focus on mental health, musculoskeletal conditions and cardiovascular disease. Employers want to do the right thing by their staff and having government-backed occupational health support is a positive step.

‘Universal support’ scheme to help disabled into work

A new voluntary employment scheme for disabled people and those with health conditions. Employers can implement common adjustments that will benefit a majority, as well as utilise positive action tools to proactively appeal to this population.



Economic outlook headlines

The escalation of geopolitical tensions together with rising energy prices, interest rates and inflation are expected to continue contributing to an unsettled economic climate and market conditions.

Cost-of-living crisis

The cost-of-living crisis continues to make an impact. Reduced demand from households and businesses for goods and services coupled with rising costs of materials, energy, and staff costs mean that challenges are still to come for individuals and organisations alike.

Inflation

Inflation has begun to fall, but remains above the Bank of England 2% target. Annual pay growth is expected to flatten out at c.7% in the near term.

Economic structural challenges

- Persistent supply-side challenges continue to weigh on future growth prospects
- Business investment has stagnated since 2016
- Labour market participation, having risen since 2010, has fallen dramatically in the wake of the pandemic, especially among older workers
- Productivity has grown at less than half its pre-financial crisis rate since 2010

Concluding thoughts

Dr Gareth Owen, Morson Market Analyst

The UK economy narrowly avoided a recession in 2022 but this will be of little comfort to people suffering from a continuing cost of living crisis and the country remains at risk of a recession in 2023 according to the OBR and The Treasury, despite a slight improvement noted by the chancellor in his spring budget.

There has been a succession of disappointing news on diversity, most notably a rise in the average gender pay gap over the last 5 years. The UK Government has not offered a beacon of support on gender equality either, rejecting five of the recommendations from the Women and Equalities Committee report on menopause. Progress has also stalled on the representation of people from Black Caribbean backgrounds and women in STEM, according to MP's, though the Parker Review announced new targets on the ethnic diversity of the management team at FTSE 350 companies.

The UK Labour Market is on shaky ground as employers continue to struggle with filling open vacancies, particularly for permanent roles but there is optimism about growing employee numbers. Candidate attraction issues and the cost of living crisis are feeding through into strong growth in rates of starting pay for both permanent and temporary roles.

Sources:

Morson proprietary data
ASPCo
REC Labour Market Tracker
Raconteur.com
Office for National Statistics
CIPD Labour Market Outlook
REC Report on Jobs

