

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT INDUSTRIAL TRAINING LEVY (ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2020

Tuesday 8 September 2020

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The Committee consisted of the following Members:

Chair: †HANNAH BARDELL

- | | |
|---|---|
| † Bailey, Shaun (<i>West Bromwich West</i>) (Con) | † Perkins, Mr Toby (<i>Chesterfield</i>) (Lab) |
| † Clarkson, Chris (<i>Heywood and Middleton</i>) (Con) | † Richardson, Angela (<i>Guildford</i>) (Con) |
| Cooper, Rosie (<i>West Lancashire</i>) (Lab) | Thompson, Owen (<i>Midlothian</i>) (SNP) |
| † Edwards, Ruth (<i>Rushcliffe</i>) (Con) | † Tomlinson, Michael (<i>Lord Commissioner of Her Majesty's Treasury</i>) |
| † Howell, Paul (<i>Sedgefield</i>) (Con) | † Twist, Liz (<i>Blaydon</i>) (Lab) |
| † Johnston, David (<i>Wantage</i>) (Con) | † Vara, Mr Shailesh (<i>North West Cambridgeshire</i>) (Con) |
| † Keegan, Gillian (<i>Parliamentary Under-Secretary of State for Education</i>) | |
| Keeley, Barbara (<i>Worsley and Eccles South</i>) (Lab) | Bradley Albrow, <i>Committee Clerk</i> |
| Lewis, Clive (<i>Norwich South</i>) (Lab) | |
| Lloyd, Tony (<i>Rochdale</i>) (Lab) | |
| † Mohindra, Mr Gagan (<i>South West Hertfordshire</i>) (Con) | † attended the Committee |

Fifth Delegated Legislation Committee

Tuesday 8 September 2020

[HANNAH BARDELL *in the Chair*]

Draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2020

The Chair: I thank Members for their attendance. I advise them that this is my first chairing obligation, so please be gentle and I will be kind.

2.30 pm

The Parliamentary Under-Secretary of State for Education (Gillian Keegan): I beg to move,

That the Committee has considered the draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2020.

Thank you, Chair. This is also my first time as a Minister delivering a piece of legislation—a double first.

The draft order will allow the Engineering Construction Industry Training Board, or ECITB, to raise and collect a levy from employers in the engineering construction industry. Engineering construction touches our lives daily in unseen but vital ways, powering our homes and offices, providing clean water, processing and producing food, and the production of pharmaceuticals. The industry makes up more than one fifth of the total UK economy. Before covid, it directly supported about 190,000 jobs and was due to expand. It delivers crucial infrastructure that allows us to compete globally and has a key role in moving the country ever closer to net zero carbon emissions by 2050.

Even without covid's impact on gas and oil, in which the hon. Member for Midlothian (Owen Thompson) would have a keen interest, were he in his place, engineering construction is a changing sector. High-tech skills are being poached by other sectors, the workforce are ageing and technologies are fast changing. That is why the Government announced a £5 billion accelerated investment in infrastructure projects to help fuel—excuse the pun—jobs and economic recovery from covid-19. For my Department, together with the ECITB, it is now more important than ever that we invest in skills and training to bring new talent up through the pipeline, to improve diversity and to retain existing knowledge.

The ECITB was established under the Industrial Training Act 1964—which makes it even older than me—to address the market failure of the sector to provide employee training. It provides targeted training grants to employers to enable workers to access and operate safely on engineering construction sites, to drive up skill levels and to incentivise training that would otherwise not take place. There is a balance to be struck between attracting new people and retaining existing workers.

Post covid, the ECITB swiftly introduced, among other measures, a scheme to help employers retain apprentices and graduates, and a new scholarship for trainees embarking on engineering construction careers. Recently, it has also published a report on transferability

of skills, which will become increasingly important as we move from our dependency on fossil fuels to green energy. I am sure that our Scottish neighbours will have a keen interest in that, too.

On the draft order, the ECITB recognises budgetary pressures on small and medium-sized enterprises, which is why exemption thresholds have been retained. Approximately 25% of all establishments in scope of the levy will be exempted from payment and yet still able to access the pot. The levy rate for off-site employees, however, is increasing from 0.14% to 0.33% of an employer's annual payments to workers for services. That will be phased in over three years.

That increase reflects a substantial growth in demand for training grants for off-site workers. Last year, off-site training took out almost 25% of the levy pot and paid in 13%. The ECITB considers that that demand is likely to increase further still as companies harness opportunities from new technologies and as more work is conducted remotely, such as remote fault diagnostics.

The ECITB has consulted industry on the levy proposals via its consensus process. Consensus consists of two tests: both the majority who pay the levy and in addition those who pay more than half of the levy raised must agree to the proposals. I reassure the Committee that both tests have been met overwhelmingly: 78% of off-site levy payers voted in favour, 66% of Scottish employers were in favour—representing 93% of the Scottish levy raised—and, collectively, 75% of all companies in scope of paying the levy and that together are likely to pay 87% of it voted in favour of the proposals before us.

That support is a testament to the value that the industry attaches to the ECITB and the recognition that there is a long-term skills challenge that can only be addressed through collective action. During the three-year levy period, this order is expected to raise around £80 million, which is to be invested in skills training for the engineering construction industry. In 2018, 99.4% of the levy raised went directly into supporting training.

To conclude, the order will enable the ECITB to continue carrying out its vital training responsibilities, and I commend it to the Committee.

2.35 pm

Mr Toby Perkins (Chesterfield) (Lab): Thank you very much indeed, Ms Bardell, for calling me to speak; it is a great pleasure to serve under your fledgling chairship. I also congratulate my counterpart, the Minister, on her virgin voyage, and I thank her for setting out the order, as published.

I do not intend to detain the Committee for too long. I am pleased to outline our support for the order, as we have supported it for many years previously. As many hon. Members may remember, when my hon. Friend Gordon Marsden—the previous Member for Blackpool, South—gave his approval to then order in 2017, he said that the ECITB and its associated board, the Construction Industry Training Board

'have been an excellent example over more than 50 years of bodies in the industry coming together voluntarily to work with Government to make progress.'

—[*Official Report, Fifth Delegated Legislation Committee, 21 March 2017; c. 6.*]

I share that assessment.

As Members will be aware, industry boards such as the ECITB were set up in the first place to encourage young people into the industry and to address skills shortages. Given the current economic challenges, which the Minister has just laid out, those needs are greater than ever.

Industry has changed significantly since the initial creation of industry boards back in 1964. Today, engineering construction is often made up of short-term and project work. For that reason in particular, investment in upskilling and retraining is especially vital for both the industry and its workforce. As the Minister said, pre-covid 190,000 people were dependent on engineering construction. The EICTB's three-year plan outlined that it was consulting on a tier one provider model, including exploring course in a box product and online training courses, and funding a pilot programme for providers to develop and evaluate virtual learning and training solutions. In the light of covid, it would be helpful to know the extent to which those plans have been accelerated since the report was produced.

Since the previous order in 2017, the ECITB's grants consultation summary report sets out that in 2016-17 30% of the grant expenditure went to management and professional training, 18% went to apprenticeships and 15% to technical training. The consultation and the truly overwhelming support within the industry for a levy on itself were a recognition that the levy was an investment not only in the staff of particular companies but in the entire industry's future pipeline of workers. That is a really positive sign and a really positive development.

I also welcome the £4.5 million scheme announced in June by the ECITB to support the retention and development of key skills in the industry, in particular its new scholarships to support trainees embarking on an engineering construction career. I am interested to know whether the Minister feels that that scheme is enough currently, whether she feels confident that all of that money will be spent, and whether she thinks there will be a need for further investment to encourage more apprenticeships and training schemes for young people in the light of the huge drop-off in apprenticeships that we have seen in recent months.

In its recent three-year plan, the ECITB set out its commitment to a graduate programme, which is very welcome. However, it would be useful to know how the most disadvantaged young people will be encouraged into the industry, so I have a number of other questions that I hope the Minister can respond to.

Have the relevant devolved Administrations been consulted about this order? The Minister mentioned the hon. Member for Midlothian—I would be interested in any communications with the devolved Administrations and whether any specific issues have been raised about those markets. Have the plans and the proposals changed or been updated at all following the advent of covid, and has there been any assessment of whether they need to be?

I was very pleased to read that £500,000 will be made available from the grant scheme for diversity and inclusion training for managers, and interventions to support under-represented groups. What key performance indicators will monitor the impact of those programmes to encourage women, black, Asian and minority ethnic and disadvantaged or under-represented groups into the industry?

Given the impact of covid on employers, has consideration been given to whether there should be the option of a staggered levy, paid over the course of the year rather than in one instalment and with one month to pay? How will the Department for Education levy be used to support the training and development of staff working for smaller firms as well as of those working for larger ones? The Minister will be aware that, although only 18% of the levy in 2016-17 went towards apprenticeships, 54% of respondents to the survey believed that apprenticeships were the most valuable component of the levy expenditure, so does she have any plans to ensure that more of the levy is spent on apprenticeships?

I welcome the commitment from the ECITB in its three-year plan to equip the industry with skills to ensure that relevant sectors are able to deliver the net zero carbon economy by 2050. Does the Minister believe that we are on target? Should we be being more ambitious? In the light of covid, does she have any reservations about our capacity to achieve that? Is there an argument for greater accountability of the ECITB going forward? How does the DFE monitor and evaluate its aims and objectives, and to what extent does she feel that it is a successful model?

We welcome this fine example of a trade body being willing to invest in the skills of the future. Its recognition of their value is far-sighted and reflects well on the industry and its members, particularly given the financial pressures that have been brought to bear on the sector. Although I await with interest the Minister's responses to my questions, I also look forward to supporting this very worthy initiative.

2.42 pm

Gillian Keegan: I thank the hon. Gentleman for his remarks. Before I turn to his questions, I reiterate the important strategic role that the engineering construction industry has to play in the economy as the country responds to and recovers from the impact of covid-19. There can be no doubt about how reliant we are on a skilled engineering construction workforce.

The hon. Gentleman asked how we will evolve training. A number of conversations have been had about modular training, and enabling people working in one sector, such as oil and gas, to use and transfer their skills into other sectors, such as renewables and renewable energy. The ECITB is very much focused, along with the Institute for Apprenticeships and Technical Education, on looking at how we can facilitate that transfer of skills and move into green jobs, so the skills in a box—the ability to have more modular upskilling capability to enable our green jobs revolution—is very much at the heart of our strategy.

Apprenticeships are absolutely key to the way that the industry goes about training its young people. As the hon. Gentleman will be aware, the Department has introduced traineeships that are also being considered as pre-apprenticeships, to enable even more people to build the pipeline. There are 132 apprenticeship standards, so the Department and the Institute for Apprenticeships and Technical Education have done a lot of work to ensure that we support the sector, and a broad range of apprenticeship standards are in place.

The hon. Gentleman mentioned diversity and the ability of those with special educational needs and any sorts of disabilities to access the sector. Equality and diversity within the industry is a challenge, and the

[Gillian Keegan]

industry knows that, and knows that it needs to encourage greater diversity among the engineering construction workforce, particularly by increasing female and BAME representation. The ECITB has recognised that it has a key role to play in that. The levy enables initiatives that are aimed at attracting a diverse pool of new entrants to the industry and promoting careers and training in engineering and construction post 16.

The ECITB is working with partners such as the Women's Engineering Society and EqualEngineers to raise awareness and showcase diversity in action through public relations activities and campaigns. The ECITB has a female chair and four of the 12 board members are women, which also shows good progress. As is typical with all courses offered by the DFE, further education providers and independent training and apprenticeship providers, it is vital that all those providers make sure that their courses are accessible to anybody with special educational needs. Much more effort is being made to focus on that to make sure that accessibility results in more people with disabilities having opportunities in this field.

On overview, a strategy and business plan takes account of what will happen in the three years and how we will facilitate the move to green jobs to facilitate net zero carbon economy and to attract young people, who are probably much more attracted by an industry that has renewables and green jobs than perhaps they would be by an old oil and gas sector, so that is a way to make

sure we have a solid pipeline of workers. I have oversight of the strategy and business plan, and I also conduct an annual performance appraisal of the chair of the ECITB. In fact, I completed that just last week. The ECITB is doing a good job, which is borne out by the fact that so many employers still support its overall purpose and aim, and many of the board members are key leaders in the sector.

The ECITB levy is ring-fenced for activities such as training new staff in many different ways or developing the skills of the existing engineering construction workforce. The majority of the engineering construction training would be unlikely to take place without that, and without such investment we would not have the skilled workers that we need and we would not be able to deliver infrastructure projects. Most of that is project-based work which will form part of the country's recovery as well as support the transition to greener, sustainable energies linked to decarbonisation. That strategy continues to represent the collective view of employers in the engineering construction industry. I am delighted that the hon. Gentleman and his Labour party colleagues also support that policy, because it is right that engineering construction industry training should be funded through a statutory levy system in order to secure a sufficient pool of skilled and talented labour. I commend the order to the Committee.

Question put and agreed to.

2.47 pm

Committee rose.

