

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Fifth Delegated Legislation Committee

## DRAFT INDUSTRIAL TRAINING LEVY (ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2023

*Wednesday 12 July 2023*

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

**not later than**

**Sunday 16 July 2023**

© Parliamentary Copyright House of Commons 2023

*This publication may be reproduced under the terms of the Open Parliament licence, which is published at [www.parliament.uk/site-information/copyright/](http://www.parliament.uk/site-information/copyright/).*

**The Committee consisted of the following Members:**

*Chair:* MR VIRENDRA SHARMA

† Drax, Richard ( <i>South Dorset</i> ) (Con)	McDonnell, John ( <i>Hayes and Harlington</i> ) (Lab)
† Fabricant, Michael ( <i>Lichfield</i> ) (Con)	† Morrissey, Joy ( <i>Beaconsfield</i> ) (Con)
† Fell, Simon ( <i>Barrow and Furness</i> ) (Con)	Osamor, Kate ( <i>Edmonton</i> ) (Lab/Co-op)
† Glindon, Mary ( <i>North Tyneside</i> ) (Lab)	† Swayne, Sir Desmond ( <i>New Forest West</i> ) (Con)
† Halfon, Robert ( <i>Minister for Skills, Apprenticeships and Higher Education</i> )	† Timpson, Edward ( <i>Eddisbury</i> ) (Con)
† Henry, Darren ( <i>Broxtowe</i> ) (Con)	† Webb, Suzanne ( <i>Stourbridge</i> ) (Con)
† Hollern, Kate ( <i>Blackburn</i> ) (Lab)	† Western, Matt ( <i>Warwick and Leamington</i> ) (Lab)
† Johnson, Kim ( <i>Liverpool, Riverside</i> ) (Lab)	Susie Smith, <i>Committee Clerk</i>
Lavery, Ian ( <i>Wansbeck</i> ) (Lab)	
Lewis, Sir Brandon ( <i>Great Yarmouth</i> ) (Con)	† <b>attended the Committee</b>

## Fifth Delegated Legislation Committee

Wednesday 12 July 2023

[MR VIRENDRA SHARMA *in the Chair*]

### Draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2023

2.30 pm

**The Minister for Skills, Apprenticeships and Higher Education (Robert Halfon):** I beg to move,

That the Committee has considered the draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2023.

It is an honour to serve under you, Mr Sharma. The draft levy Order we are here to discuss is for the Engineering Construction Industry Training Board, the skills, standards and qualifications body for the engineering construction workforce of Great Britain. That is not to be confused with the Construction Industry Training Board, otherwise known as the CITB, which is a different industrial training board that is not under discussion today.

The engineering construction industry consists of contracting companies and their supply chain that collectively are responsible for designing, building, maintaining, repairing and decommissioning some of the UK's most critical national infrastructure, such as conventional and renewable power generation and oil and gas, as well as sectors such as water treatment, pharmaceuticals, food processing, steel and cement. The industry is core to building the infrastructure needed to power the economy and grow our energy independence.

When I spoke at last month's *The Times* Education Summit, I set out how I frame the links between education and life outcomes in the field of work through a "ladder of opportunity". A critical rung on that ladder focuses on technical education and training to meet the needs of employers. That is not just for young people at the start of their career history, but about improving attainment in adult skills across the country and reversing declining participation in adult learning and the workforce. We must strive to ensure that such a ladder is metaphorically available to all, not drawn up, and the drawbridge to life-changing education is not closed due to background or age. Everyone must be able to access the education and skills opportunities that lead to good job outcomes.

The Government are clear that engineering construction is integral to achieving the objectives set out in the "Powering Up Britain" strategy announced in March. However, the industry will need to continue to increase the volume of skilled workers coming into the industry in order to deliver on the key projects needed to achieve our objectives. That includes, but is not limited to, the retrofitting of industrial sites with carbon capture and hydrogen production technologies; the further expansion of offshore wind; and increasing our plans for the deployment of civil nuclear to provide up to 25% of our projected electricity demand by 2050, as envisaged in last year's "British Energy Security Strategy". That is where the work of the ECITB is critical. Over the 2023 to 2025 strategy period, the ECITB has committed to allocate up to 48% of its grant funding on new entrants,

while the remaining 52% will support the upskilling of existing workers. That is vital to boosting the number of workers entering the industry and gaining the requisite skills required by employers.

**Michael Fabricant (Lichfield) (Con):** In principle, I welcome the motion that my right hon. Friend is putting forward, as we need to improve skills in all sorts of areas. However, I note that the levy will now raise about £30 million a year. Is my right hon. Friend sure that that amount will not damage the very industries it is meant to help?

**Robert Halfon:** I thank my hon. Friend for his question. Far from damaging the industry, it will actually help the industry, because that £30 million ensures grants, scholarships, training opportunities and skills for all these key industries in engineering construction. I would actually say that that money is a good thing. Do not forget, by the way, that 87% of the members of the Engineering Construction Industry Training Board voted in favour. No one is imposing this on anyone; they voted in favour of the levy.

The draft order will enable the ECITB to raise and collect a levy on employers, as I just described, in the engineering construction industry. It uses the levy to provide targeted training grants to employers to drive up skill levels and incentivise training that would otherwise not take place. The strategy has a clear focus on tackling the shortfall in the number of skilled workers essential to the construction of planned infrastructure projects, including supporting apprenticeships and building on alternative entry programmes such as the ECITB's scholarship programme and skills bootcamps, as well as upskilling and reskilling programmes for existing workers and those in the allied industries.

The levy will support strategic initiatives to help maintain and develop vital skills in the industry and create a pipeline of skilled workers. Indeed, the ECITB's strategy has already identified key drivers for change facing the engineering construction industry over the coming decade. Among them is the need to attract more new entrants to replace an ageing workforce and meet demand growth. As part of National Apprenticeship Week in 2017, I took a tour of Hinkley Point C and saw at first hand the work being undertaken to produce a skilled workforce. The ECITB is continuing that work to develop a programme in partnership with EDF to take up to 2,000 unskilled learners through training. Individuals start at a general operative level, with the potential to progress to more skilled roles—for example, in electrical disciplines—with further training. The partnership with industry on skills will give people from all backgrounds a chance to succeed while contributing to the longer-term energy security of the nation.

Before I turn to the details of the draft order, I will highlight that the Department for Education has launched a review of both industry training boards. The review is part of a wider programme across Government to ensure that arm's length bodies remain effective. Mark Farmer, the CEO and founding director of Cast consultancy, has been appointed to lead the review, which will run until late 2023.

I will turn to the details of the draft order to outline how it will raise the levy. This order is being made to give effect to the levy proposals submitted by the ECITB.

Legislation requires the order to set a minimum threshold so as to exempt employers with a small number of employees from the levy. That threshold is set by reference to the annual wage bill of employers. The order is subject to the affirmative procedure and must therefore actively be approved by both Houses before it becomes law. The previous Order, the Industrial Training Levy (Engineering Construction Industry Training Board) Order 2020, introduced a phased increase to levy rates payable by off-site employees while maintaining the same levy rates for on-site employees across its three levy periods. This three-year levy order seeks to maintain the levy rates prescribed for the third phase of the 2020 order currently in place for each of the next three levy periods and for both off-site and on-site employees. Those rates are 0.33% of the earnings paid by employers to off-site employees and 1.2% of the earnings paid by employers to on-site employees for businesses liable to pay the levy.

The ECITB recognises the budgetary pressures on small businesses, which is why this order seeks to retain the current exemption thresholds. Engineering construction employers with an annual wage bill of less than £1 million for off-site employees will not pay any levy. Employers with an average wage bill of less than £275,000 for on-site employees will also be exempted from paying the levy. It is important to note that these exemptions do not stop employers from accessing the same ECITB support available to levy-paying employers. It is projected that approximately 18% of all employers in scope of the levy will be exempt from paying it.

The ECITB has consulted industry on the levy proposals via the consensus process required under the Industrial Training Act 1982. Consensus is achieved by satisfying two requirements: both the majority of employers likely to pay the levy and those employers who together are likely to pay more than half of the aggregate levy raised must agree that the levy proposals are necessary to encourage adequate training. Both requirements were overwhelmingly satisfied, with 85% of employers in scope of paying the levy and who between them are likely to pay 97% of the aggregate levy being supportive of the proposals of the ECITB. I am delighted to say that that is a significant increase from 2019, achieving a 10% increase for both requirements. The draft order has significant industry support, and it will enable the ECITB to carry out its vital training responsibilities. I commend the draft order to the Committee.

2.39 pm

**Matt Western** (Warwick and Leamington) (Lab): It is a pleasure to serve under your chairmanship, Mr Sharma.

As Members will be aware, the engineering and construction industry is central to delivering our net zero ambitions and crucial to addressing the slow growth that has held back our economy these past 13 years. Companies within the engineering construction industry design, engineer, construct and decommission some of the biggest infrastructure projects both in this country and overseas. I was delighted to get the opportunity—I would certainly recommend it—to visit the interconnector site up in Blyth in Northumberland, where National Grid, which is headquartered in my constituency, has undersea cables come ashore, delivering up to 3% of UK electricity.

UK100 estimates that, by 2050, four of five jobs will be supporting the transition to net zero. It is estimated that there is the potential for 1.18 million new jobs by 2050 in low carbon and renewable energy industries. Apprenticeships will be central to ensuring that workers in the sector have the breadth of skills and knowledge required to take up those roles. The sector will need to attract talent from a variety of pools if it is to match the growth in demand. Therefore, it seems fitting that only last week my right hon. and learned Friend the Member for Holborn and St Pancras (Keir Starmer) set out how the next Labour Government, if elected, would reform the apprenticeship levy to ensure the next generation of workers in the sector.

Our proposal is to transform the apprenticeship levy into a growth and skills levy, giving employers the flexibility that they need and, indeed, want. The Minister will no doubt have seen the article earlier this year by the chief executive of Balfour Beatty, who believes that the apprenticeship levy in its current form has “failed” and that a more flexible skills levy would respond better to employer needs. That is exactly what our growth and skills levy would do, alongside ensuring that every penny of the apprenticeship levy is spent on skills and training, which currently does not happen.

Employers will be able to use up to 50% of the growth and skills levy for flexible, high-quality courses for their workforce, together with the 50% they allocate to apprenticeships. In a speech last year replying to a similar SI, my hon. Friend the Member for Chesterfield (Mr Perkins) questioned whether unpaid traineeships in a sector that is already understaffed were the best way to attract new talent. One advantage of the growth and skills levy is that funds can be utilised to offer paid traineeships or similar initiatives as a pipeline into an apprenticeship, thereby diversifying and increasing the pool of skilled talent.

Looking more closely at this draft order, I understand the need for the changes to the ECITB levy being introduced today and we are supportive of them. This year, the ECITB launched its three-year strategy to ensure growth in the engineering construction industry, backed with £87 million to support workforce training alongside tackling labour shortages and skills gaps. The strategy has been designed to prepare for a boom in project activity for engineering construction employers.

Citing National Grid again, I am aware of the plans, as referenced by the Minister, for electrifying the UK economy and how that infrastructure has to be delivered at pace. But these projects span a range of sectors, including nuclear build and decommissioning, renewables, water treatment, and carbon capture projects linked to the UK’s net zero plans. Given that any future Labour Government have pledged to invest heavily in home insulation, double our onshore wind capacity, increase offshore wind capacity, triple solar power by 2030, and invest in tidal power, we welcome all such ambitions.

As the Minister will already know, there is some resentment among larger employers at having to pay both the ECITB and apprenticeship levies, and it is vital that the ECITB levy adds value to businesses and the sector more widely. The Minister will be aware that, under the Industrial Training Act 1982, the maximum levy is set at 1% of an employer’s total emoluments, unless the Minister thinks a higher levy would be appropriate in the circumstances.



[*Matt Western*]

I understand that the ECITB has recommended the 1.2%, broadly supported by its members, as the Minister was saying, and I listened to his response to the hon. Member for Lichfield about what the sector might feel when it is under pressure due to the potential cancellation of contracts and a contraction in the UK economy. Perhaps the Minister could elaborate a little bit more on his assessment of the affordability of the 1.2%, given the other cost pressures facing the sector.

My only other point is about the wider skills agenda, which I think is linked to this. The Government's change in position over BTECs is welcome, and I wondered whether the Minister has analysed how scrapping well-respected BTECs will impact the engineering construction industry. Given that the Under-Secretary of State for Work and Pensions, the hon. Member for Mid Sussex (Mims Davies), admitted earlier this year that the take-up of the new T-level qualification for construction still falls way behind BTECs, surely this is a matter of utmost urgency.

In conclusion, Labour does not oppose the draft order in its current form, and we support the Government in the hope that this SI has the desired results.

2.46 pm

**Robert Halfon:** I am grateful to the shadow Minister for his response. I will start by saying that I fundamentally disagree, as he would expect, with Labour's proposals to dilute the apprenticeship levy. It would halve the number of apprenticeships because businesses would be using the levy for skills rather than apprenticeships, and the apprenticeship levy does what it says on the tin. It is trying to build an apprenticeship nation. He talked about the budget, but he will know that 99.6% of the apprenticeship budget, which includes the levy that is set by the Treasury, was used over the past year.<sup>1</sup>

The shadow Minister quoted one company that had questions about the levy, but if I had longer, I could give him a range of quotes from companies that are working brilliantly with the levy, such as Amazon, Google and Virgin Atlantic, which recently spoke at the skills conference about how beneficial the levy was to them.

It is worth noting that our engineering manufacturing apprenticeships were up by 24% over the past year. Construction apprenticeships were up 31% over the past year. He talks about paying a the ECITB levy and the apprenticeship levy, but they are very different. They have very different roles. The apprenticeship levy, as I said, is a Ronseal levy—it does what it says on the tin—while the ECITB levy is for used for all kinds of skills training for existing employees, for grants, and for scholarships.

On affordability, I just need to clarify what I said to my hon. Friend the Member for Lichfield—he is newly knighted, so many congratulations to him; it is much deserved.

**Michael Fabricant:** Thank you.

**Robert Halfon:** I declare an interest in that I used to work for him as a junior researcher many, many moons ago in my younger days, so I am very proud of what my former boss has achieved.

Some 85% of employers in scope of paying the levy, that are likely to pay 97% of the aggregate levy between them, supported the proposal. They will know whether they can afford it, and they have voted for it in vast numbers. It is not for me to question the businesses that voted for the levy; it is up to them to decide whether they want to pay it. As I said, the ECITB levy is very different from the apprenticeship levy.

On BTECs, I discussed this with the hon. Member for Chesterfield (Mr Perkins), the other shadow skills spokesman, in the estimates debate last week. We are proud about our move towards T-levels, which are going to be world-beating qualifications. We have T-levels in engineering and in construction. As the hon. Member for Warwick and Leamington knows, we have had reviews of BTECs and alternative qualifications, and those reviews are continuing. We are getting rid of those alternative qualifications that either have very low uptake or poor outcomes—outcomes that we do not think are good enough or that significantly overlap with T-levels.

However, there is nothing to stop employers getting together to design new qualifications—all our new qualifications are employer-led—that are much more suited for the 21st century and, more importantly, more suited for people getting good outcomes. The whole purpose is to move to T-levels, and we are creating a T-level pipeline of engineering, construction, higher technical qualifications being taught in over 70 institutions up and down the country. That will be expanded.

We are spending £300 million on new institutes of technology—21 across the country. There is the state-of-the-art Rolls-Royce skills institutions in collaboration between FE and higher education, teaching HTQs and degree apprenticeships as well. Then separate to all that—this is again why Labour's proposal for a skills levy to dilute the apprenticeship levy is wrong—we already are spending billions of pounds on skills, on bootcamps, on the Multiply maths programme, and on the higher technical qualifications that I that I mentioned, including 400 free level-3 courses that millions of people are doing across our country. We will have 60,000 people doing boot camps by 2025. We are doing a huge amount of work on skills and a huge amount of work on apprenticeships, ensuring quality standards, with over half of the 670 in science, technology, engineering and maths. We are doing everything possible to ensure that we are on the right path for skills

In conclusion, I thank the Committee for today's debate. I reiterate that if the levy were to cease, there would likely be a serious deterioration in the quality of training, creating a deficiency in skill levels and capacity and, crucially, leaving the sector unable to deliver key projects vital to the UK's economic growth. However, it is not solely up to the levy order to address these issues, our Government continues to be on the front foot, which is why we are building a skills system that is employer-focused, high-quality, fit for the future, and flexible enough to lead to more people completing high-quality courses that meet employers' needs.

I should also mention the T-level transition year, which is preparing people for our state-of-the-art vocational technical qualifications. Our skills reforms will help to create more routes into skilled employment in sectors the economy needs, such as engineering, digital, clean energy, and manufacturing, so more people can secure well-paid jobs in their local areas. That includes supporting

1. [*Official Report*, 20 July 2023, Vol. 736, c. 14MC.]

more people to complete an apprenticeship or HTQ, rolling out more T-levels, and establishing our network of 21 institutes of technology. We are also expanding our skills bootcamps and free courses for jobs programme. This enhanced offer for adults will complement apprenticeships.

*Question put and agreed to.*

2.53 pm

*Committee rose.*

