

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Fifth Delegated Legislation Committee

## DRAFT INDUSTRIAL TRAINING LEVY (ENGINEERING CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2017

*Tuesday 21 March 2017*

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**Saturday 25 March 2017**

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

*Chair:* SIR ALAN MEALE

† Allen, Heidi (*South Cambridgeshire*) (Con)  
 † Brazier, Sir Julian (*Canterbury*) (Con)  
 Coffey, Ann (*Stockport*) (Lab)  
 † Halfon, Robert (*Minister for Apprenticeships and Skills*)  
 † Heaton-Harris, Chris (*Daventry*) (Con)  
 † Leslie, Charlotte (*Bristol North West*) (Con)  
 McFadden, Mr Pat (*Wolverhampton South East*) (Lab)  
 † McCartney, Jason (*Colne Valley*) (Con)  
 McGinn, Conor (*St Helens North*) (Lab)

† Mann, Scott (*North Cornwall*) (Con)  
 † Marsden, Gordon (*Blackpool South*) (Lab)  
 † Morris, David (*Morecambe and Lunesdale*) (Con)  
 † Powell, Lucy (*Manchester Central*) (Lab/Co-op)  
 † Redwood, John (*Wokingham*) (Con)  
 Smith, Henry (*Crawley*) (Con)  
 † Stephens, Chris (*Glasgow South West*) (SNP)  
 † Turner, Karl (*Kingston upon Hull East*) (Lab)

Dr Glenn McKee, *Committee Clerk*

† **attended the Committee**

# Fifth Delegated Legislation Committee

Tuesday 21 March 2017

[SIR ALAN MEALE *in the Chair*]

## Draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2017

2.30 pm

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

That the Committee has considered the draft Industrial Training Levy (Engineering Construction Industry Training Board) Order 2017.

It is an honour to serve under your chairmanship, Sir Alan. The order enables the Engineering Construction Industry Training Board, the ECITB, to raise and collect a levy on employers in the engineering construction industry. We must equip people for the future, and there are acute shortages of technical skills: engineering and technology alone face an annual shortfall of 69,000 level 3 and 4 technicians. Established by the Industrial Training Act 1982, the core activity of the ECITB is to invest money it receives by way of the levy in skills training for the engineering construction workforce. The ECITB develops the skills of the existing workforce and new entrants to the industry by providing training grants and putting in place strategic initiatives that will benefit the industry in the long term and secure a sustainable pipeline of skills.

The technical education reforms are crucial to ensure that we enable people from every background to climb the ladder of opportunity. The first rung of the ladder is enhancing the prestige of the technical and professional education system. The ladder of opportunity's social justice rung will give all those from disadvantaged backgrounds the opportunity to progress to skilled employment. All of that will combine to ensure greater job security and prosperity. The ECITB is well positioned to support and embed the technical education reforms in the engineering construction industry. We must ensure that the skills exist in the engineering construction workforce to deliver critical new infrastructure projects such as Hinkley Point C in Somerset, which I visited during national apprenticeship week.

Engineering construction is characterised by significant levels of project working, where demand can be unpredictable. Workers in the sector are often highly skilled and in high demand, both domestically and internationally. The ECITB works to retain those vital skills within the UK economy. The reforms to technical education will address the nation's skills needs and ensure that people, whatever their background, have the skills they need to secure high-quality, fulfilling jobs that are fit for the future. The ECITB's support of further education qualifications increases employment chances and wages and improves social capital.

The ECITB is led by industry and has a central role in training the workforce in the engineering construction industry. It provides a range of services, including setting

occupational standards, developing vocational qualifications and offering direct grants to employers that carry out training.

**John Redwood (Wokingham) (Con):** I hope that the Minister will explain whether there is an overlap with the apprenticeship levy and how this long-standing industry initiative relates to the Government measures. I am all in favour of more training, but I want to know how it fits together with the public sector.

**Robert Halfon:** I am delighted to explain that. The apprenticeship levy is very different from the ECITB levy, which is used for a range of things—for example, it supports national colleges such as the National College for Nuclear, and it has special scholarship schemes and graduate trainee schemes. The other important thing to note is that 65%-plus of the ECITB's members, who are levy payers, voted to have this levy. It is up to them to choose the levy. I will come on to that in more detail.

The ECITB also has a role in encouraging greater diversity and equality of opportunity across the engineering construction industry. Only 7% of the current engineering construction workforce are women, so I strongly congratulate the ECITB on its extensive careers programmes in schools, promoting female engineering role models. Also, 10.8% of apprentices in construction have a learning difficulty or disability. That is an excellent place to build from, and I know that the ECITB is investing in programmes to provide further support. The Department for Education is also investing £20 million in business mentors, to help disadvantaged and vulnerable young people to get the right information about skills and training and a fulfilling role that is right for them.

Industry support is fundamental to the success of the ECITB. The vast majority of employers in the engineering construction industry continue to support a statutory framework for the ECITB levy, and the order will enable those statutory levy arrangements to continue. The Industrial Training Act allows an industrial training board to submit a proposal to the Secretary of State for the raising and collection of a levy on employers to ensure the effective provision of skills in the industries it serves. The order will give effect to a proposal submitted to us for a levy to be raised by the ECITB for the levy periods ending 31 December 2017, 31 December 2018 and 31 December 2019.

People may ask, as my right hon. Friend the Member for Wokingham did, for more detail on how the order interacts with the apprenticeship levy. Given the introduction of the apprenticeship levy, the ECITB has reviewed its levy arrangements and made the decision to reduce its rates. The levy rate attributed to site employees will be reduced to 1.2% of total emoluments—by emoluments, I mean all salaries, fees and wages and anything else that constitutes earnings of an employee—plus net expenditure on subcontract labour; that is down from 1.5% of total emoluments in the 2015 order. The rate in respect of off-site employees, often referred to as head office employees, will be reduced to 0.14% of total emoluments plus net expenditure on subcontract labour, down from 0.18% of total emoluments in the 2015 order.

The proposal involves the imposition of a levy in excess of 1% of payroll on some classes of employer. In accordance with the provisions set out in the Industrial

Training Act, we are satisfied that the level of the levy is necessary to encourage training in the industry. In line with the requirements of the Industrial Training Act and the detail of the ECITB's proposal, the ECITB has taken reasonable steps to ascertain the views of the majority of employers that together are likely to pay the majority of the levy. The Secretary of State is satisfied that that condition has been met through an industry consultation. The ECITB's proposal for the levy obtained the support of the majority of employers in their respective industries. The three major employer federations in the industry—the Engineering Construction Industry Association, the Offshore Contractors Association and the British Chemical Engineering Contractors Association—supported the levy. All 84 levy-paying members of the employer associations were deemed to be supportive. Of the 149 employers not represented by those federations, 41 did not respond and only 10 declined to provide their support. On that basis, 78% of levy-paying employers were supportive of the ECITB's proposal, and such employers are likely to pay 87% of the value of the levy.

The Industrial Training Act also requires that the ECITB includes within its proposal how it will exempt small employers from the levy. The order therefore provides that small firms are exempt from the levy if their total emoluments are below a threshold that the industry considers to be appropriate. If the total gross emoluments and total gross payments are less than £275,000, no training levy will be payable in respect of site-based workers. If the total gross emoluments and total gross payments are less than £1 million, no training levy will be payable in respect of off-site-based workers. Employers that are exempt from paying the levy can and do still benefit from grants and other support from the board. Of all the establishments considered to be leviable by the ECITB, it is expected that around 32% will be exempt from paying the levy.

The order is expected to raise £78 million for the ECITB in levy income over three years and will enable the ECITB to continue to carry out its vital training responsibilities alongside the apprenticeship levy. I commend the order to the Committee.

2.39 pm

**Gordon Marsden** (Blackpool South) (Lab): It is a pleasure to serve under your chairmanship, Sir Alan. Since tomorrow is the Minister's birthday, I offer him a rare and mild pre-birthday treat by saying that we do not intend to oppose the order—and for very good reasons.

I was about to say that the origin of this levy is lost in the midst of time, but considering I was 10 when it was introduced, perhaps that is not the best way of putting it. I looked at the date—1964—and wondered whether this was a final gasp of the 13 years of Tory misrule, as it was called at the time, or possibly the first fruits of Harold Wilson's revolutionary white heat. Moving on from history, the point about the order, the ECITB and its associated board, the Construction Industry Training Board, is that they 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. This arrangement and one or two others survived the potential culls of the Thatcher years, and so it comes back to us today for the latest iteration, reflecting

what the ECITB wants to do or feels it needs to do in the context of the introduction of the apprenticeship levy.

I am grateful to the right hon. Member for Wokingham for intervening and thereby enabling the Minister to point out that the two levies are complementary. He will know, as I do—I am sure we have both had conversations with the ECITB and the CITB—that after the announcement on the apprenticeship levy, those bodies had certain questions about how the two measures would rub along. Indeed, they had to have fairly significant and useful discussions with their members. The question has been resolved, as far as I am aware, to their satisfaction and to the satisfaction of most of their members, as indicated by the participation rates that the Minister mentioned.

One might say that in some ways this was employer-led *avant la lettre*. It embodies some of the things the Government want to do to put employers in the driving seat. It is also important because it relates not simply to apprenticeship training but broader training. If there is one little thing that I want to say to the Minister, it is that in the full flush of waiting for the apprenticeship levy to kick off and for the new Institute for Apprenticeships to be launched—I know there is nothing he can do about this, but it is being launched on April fool's day—it is really important that we do not regard training in this country simply as a one-trick pony that is for apprenticeships. There is all sorts of training to be done. As the Minister knows, and as we have talked about in previous engagements, the needs, particularly in adult skills, are very great indeed.

I welcome the order. As the Minister said, the construction industry has a very good record of taking on people from disadvantaged backgrounds; he gave figures on people with disabilities. I only have two questions. First, I see in the associated explanatory memorandum that the order is paralleled by an order for the CITB in 2015. I assume that both arrangements are triennial. I suppose the obvious question to the Minister is: does he anticipate that the CITB will be coming back in due course to have its levy order renewed? Since I notice that the order extends to England, Wales and Scotland, my second question is simply whether the appropriate and usual consultations with the devolved Administrations have taken place.

2.44 pm

**Chris Stephens** (Glasgow South West) (SNP): It is a pleasure to serve under your chairmanship, Sir Alan.

I can be brief because I agree with many of the points made by the Labour spokesman. I also welcomed the Minister's comments about ensuring diversity in the engineering construction industry, but I wanted to ask him whether an equality impact assessment has been done—there is no mention of one in the explanatory notes. Also, how do the Government intend to measure diversity in the industry?

2.45 pm

**Robert Halfon**: I welcome the thoughtful response from both Opposition spokesmen. The hon. Member for Blackpool South stressed that training is not just about apprenticeships and mentioned the Institute for Apprenticeships. He is absolutely right, and I hope

[Robert Halfon]

that—it is subject to the will of the Lords—the institute will become the Institute for Apprenticeships and Technical Education. The reforms to apprenticeships go alongside the Sainsbury reforms, the extra money announced in the Budget and much more beside. I was careful to say that the levy is not a stand-alone agenda, but part of our efforts to have widespread quality provision, helping those who are socially disadvantaged and making sure that we meet our skills needs.

The hon. Gentleman asked about the CITB. The ECITB has 330 members, whereas the CITB has thousands. The ECITB wanted to get its levy arrangements made, but I believe the CITB intends to wait until after the review is announced; then the usual procedures regarding its members will be gone through. I am reminded that the CITB will consider industry views on future levy arrangements in its field in October.

I welcome the strong support given the ECITB by the Scottish Government. I know they collaborate closely in the work the ECITB does in Scotland. The hon. Member for Glasgow South West will know that the instrument applies in England, Wales and Scotland—its remit covers the three nations. Some 40% of ECITB levy employers are based in Scotland, working primarily in the offshore gas and oil sector. Skills policy is devolved to the Scottish Government, so the ECITB needs to be responsive to both English and Scottish Government skills policy. Both the Scottish Government and the Welsh Assembly have confirmed their support for the order.

**John Redwood:** The ECITB levy will raise less after 2018 than it does now. Is the amount of the reduction to take into account the apprenticeship element, which is now supplanted?

**Robert Halfon:** As I said, the ECITB recommended the levy it wanted to charge, and its members voted on that. Of course some of proposed levy reflects the apprenticeship levy. The ECITB is raising some funds itself—about £3 million—and it has £10 million in reserves, but it has decided to reduce its own levy rates and that has been voted on by the members.

The hon. Member for Glasgow South West asked about equalities. We are reviewing both industry training boards. We will see how the levy rolls out over the coming year, but when we announce the review, hopefully in late spring or summer, we will be able to set out how we envisage the roles of the two organisations. As this is a tax arrangement, it is not subjected to the impact assessments given to other instruments.

The Committee will note that the ECITB exists because of the support it receives from the industry it serves. There is a firm belief that without the levy, there would be a serious deterioration in the quality and quantity of training in the engineering construction industry. It continues to be the collective view of employers in that industry that the ECITB remains an integral part of meeting the skills challenges in the industry. Employers have demonstrated the continued role the EICTB has to play alongside the apprenticeship levy and its vital role in supporting the Government's delivery of reforms in the skills sector.

Finally, the hon. Member for Blackpool South gave some historical context to the levy. I have been looking at some of the documents and I believe the history books will show that mainly it is Tory Governments who introduce levies. I commend the order to the Committee.

*Question put and agreed to.*

2.51 pm

*Committee rose.*



