

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fifth Delegated Legislation Committee

DRAFT INDUSTRIAL TRAINING LEVY (CONSTRUCTION INDUSTRY TRAINING BOARD) ORDER 2022

Tuesday 26 April 2022

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The Committee consisted of the following Members:

Chair: CHRISTINA REES

Abrahams, Debbie (*Oldham East and Saddleworth*)
(Lab)

† Anderson, Stuart (*Wolverhampton South West*)
(Con)

† Blackman, Kirsty (*Aberdeen North*) (SNP)

† Bradley, Ben (*Mansfield*) (Con)

† Britcliffe, Sara (*Hyndburn*) (Con)

† Burghart, Alex (*Parliamentary Under-Secretary of
State for Education*)

† Carden, Dan (*Liverpool, Walton*) (Lab)

† Daby, Janet (*Lewisham East*) (Lab)

† Davies, Dr James (*Vale of Clwyd*) (Con)

† Eastwood, Mark (*Dewsbury*) (Con)

† Fletcher, Katherine (*South Ribble*) (Con)

† Glendon, Mary (*North Tyneside*) (Lab)

† Greenwood, Margaret (*Wirral West*) (Lab)

† Grundy, James (*Leigh*) (Con)

† Hunt, Tom (*Ipswich*) (Con)

† Perkins, Mr Toby (*Chesterfield*) (Lab)

† Tomlinson, Michael (*Lord Commissioner of Her
Majesty's Treasury*)

Jonathan Finlay, *Committee Clerk*

† **attended the Committee**

Fifth Delegated Legislation Committee

Tuesday 26 April 2022

[CHRISTINA REES *in the Chair*]

Draft Industrial Training Levy (Construction Industry Training Board) Order 2022

2.30 pm

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

That the Committee has considered the draft Industrial Training Levy (Construction Industry Training Board) Order 2022.

The construction industry is extremely important to our country. To put it frankly—

2.30 pm

Sitting suspended for Divisions in the House.

3.7 pm

On resuming—

Alex Burghart: Let's try again. The construction industry is obviously vital to our country because its success is the UK economy's success. The construction sector contributes about £155 billion to the economy, which represents 9% of our gross value added. The industry is made up of about 3.1 million workers, equating to 9% of the UK's employment.

The Government are clear that construction is integral to achieving two of our main priority objectives in our plan for growth: levelling up and reaching net zero carbon emissions by 2050. Skills interventions will be critical to addressing current skills deficits and looking ahead to meet future construction labour market demands. However, the increased need for skills is not a challenge that the Government can address alone.

The Construction Industry Training Board was set up in 1964 and continues to play an important role by helping to shape interventions and communication to employers. I thank the CITB for working with my Department on this issue.

The draft order will enable the CITB to continue to raise and collect a levy on employers in the construction industry. The levy funds increased provision of skills for individual workers and employers in the sector. Over the coming three years, the CITB expects to raise around £505.2 million of levy funding to be invested in skills training.

Margaret Greenwood (Wirral West) (Lab): As the Minister knows, the CITB has said that one of the things it will do to address the barriers to training the current workforce is develop a strategy to influence local provision to meet employers' needs, linking to local skills improvement plans. It seems to me that if someone who wants to get into construction lives in an area where there are few construction companies, and none is involved in developing

LSIPs, they may well struggle to find a relevant course. Will the Government ensure that people, particularly young people, who want to get into construction work can do so, even if opportunities in the area where they live are limited?

Alex Burghart: The hon. Lady makes an important point. Obviously, a lot of the skills work that we are putting forward is employer led. By that, we mean that we want students who are studying construction, or indeed another technical skill, at whatever level, to have the opportunity to do on-the-job training. That might be through T-levels or apprenticeships. At the moment, many colleges around the country are finding people who can offer that training, to give students the chance to step up through either a level 2 course or a T-level construction course. So although the availability of placements is to a certain extent limited by the nature of the industry in the area, it is essential that students have the chance to study on the job wherever possible. I hope that answers the hon. Lady's question, but if she would like to come back, I am happy to respond again.

Members may recognise that small local construction firms in their constituencies say that the CITB pays out grants to cover the cost of certain construction training. Indeed, that is a significant percentage of its activity. It provides a grant system to employers to enable workers to access and operate safely on construction sites—for example, through health and safety training—to drive up skills and to incentivise training that would otherwise not take place.

Mark Eastwood (Dewsbury) (Con): I appreciate the Minister's comment about levelling up. One of the initiatives in the Dewsbury town board funding is a construction and skills centre. Does he agree that that could be rolled out in towns fund bids and that local councils and authorities could take that on board?

Alex Burghart: I know that my hon. Friend is championing exactly that sort of work in his area and giving us lessons that we can transpose to other areas. The new centres of excellence will be fundamental to how we build the next generation of skills in our country and create that pipeline for young people and those who are changing careers to enter the workforce with higher levels of skills. I congratulate my hon. Friend on what he is seeing in his area.

Mr Toby Perkins (Chesterfield) (Lab): The Minister rightly referred a moment ago to the nation's skills deficit. The order effectively doubles the amount that the construction industry pays, but undoes the reduction that the Government previously put in place. We are not hostile to that, but it returns us to where we were two years ago when the deficit existed. What can he point to in the order that makes anything better? It effectively represents a continuity strategy. We have got a skills deficit, which has built up over a number of years—we can debate why that is. Are the Government doing anything to make the situation better rather than just returning us to where we were?

Alex Burghart: The hon. Gentleman asks a fair question. He rightly points out that, during covid, we reduced the burden on construction companies to help them get through the pandemic, and the order is a return to

normal. However, it is only one part of the interventions we are making to create the next generation of people working in construction. I am pleased to say that apprenticeship construction starts are doing well and are above their pre-pandemic level. We are introducing new T-levels in construction and we see a real appetite for the skills bootcamps that the Government have brought in. Those short, intensive courses, which help people skill up over 12 to 18 weeks, with a guaranteed job interview at the end, are popular with potential employees, employers and, I am pleased to say, the Treasury.

Kirsty Blackman (Aberdeen North) (SNP): On the point the Minister just made, if this order is just bringing us back to pre-pandemic levels, it is not doing anything to fix the immigration situation we have because of Brexit. I know there is a major problem for bricklayers, for example. Will this just get us back to pre-pandemic levels, rather than making up for that shortfall that we see as a result of Brexit and this Government's immigration policies?

Alex Burghart: As the hon. Lady will have heard me say to the hon. Member for Chesterfield, this is just one of the things we are doing. Our bootcamps are a new innovation that offer people of all ages a rapid route into employment. The construction route was very popular. It is important that the hon. Lady sees this in the round. She raises Brexit, but in my seven months in this job I have had the great pleasure of talking to further education colleges around England, and many principals have told me that there is new enthusiasm from employers to look at skills training in their areas, which did not exist before we left the EU. Lots of companies used to advertise internationally for skills as their first port of call, and people came in. They did not have to invest in training in their own areas. I am pleased to say that that is changing for the better for young people in England.

The work of the CITB will support strategic initiatives to help maintain vital skills in the industry and create a pipeline of skilled workers.

Margaret Greenwood: The Minister is being very generous. A point was raised in the other place about paragraph 10.1 of the explanatory memorandum and the small group of industry representatives that the CITB consulted to examine the current levy arrangements and how the levy should operate. The Minister there said:

"it is up to the CITB as to who it engages with."—[*Official Report, House of Lords, 25 April 2022; Vol. 821, c. GC9.*]

I think it is important that the CITB engages with relevant unions on the levy. Can the Minister tell me whether he has any expectation, even though it might not be prescribed in law, that the CITB will consult with the unions?

Alex Burghart: I very much hope that the CITB will engage with all relevant stakeholders.

I will try to make some headway. The remit is broader still. The CITB develops and maintains occupational standards so that employees and employers are assured training is of sufficient quality. That also means that construction skills become more readily transferable, benefiting both employees and employers. The CITB has a critical role in horizon scanning, too. It uses

research and labour market intelligence to understand the skills needs of the sector and to work with industry and Government to help ensure that construction has the right skills both now and in future.

Before turning to the details of the draft order, I want to highlight that the most recent levy order—the 2021 order—was for one year, not the usual three years. As we discussed a moment ago, a 50% reduction was prescribed in that year relative to the 2018 three-year order. That was to accommodate the CITB's decision to allow levy payers a payment holiday in response to cash-flow pressures the industry was facing during the first covid lockdown. This three-year 2022 order returns to the levy rates prescribed by the three-year 2018 order: 0.35% of the earnings paid by employers to directly employed workers, and 1.25% of contract payments for indirectly employed workers such as contractors, for those businesses that are liable to pay the levy.

The industry, having been consulted on the CITB's delivery strategy and levy rate, supported the retention of the higher exemption and reduction thresholds for smaller employers contained in the 2021 order. To run through those very quickly, construction employers with an annual wage bill of up to £119,999 will not pay any levy, while still having full access to CITB support. It is projected that approximately 62% of all employers in the scope of the levy will be exempt from paying. Larger companies will carry the burden. Employers with a wage bill between £120,000 and £399,999 will receive a 50% reduction on their levy liability, while also receiving full access to CITB services—that covers about 14% of employers.

Mr Perkins: I understand the reason for the tapering that the Minister refers to, but has any analysis been done of whether this creates a cliff edge that disincentivises employment? There will be companies that know that the next person they take on will move them either from being a non-payer to a half-payer, or from being a half-payer to a full payer. In an industry with huge amounts of subcontract work done anyway, it would not be amazing if this was a disincentive to employment. Has any analysis of that been done, and if not does the Minister think it would be a good idea for inquiries of that kind to be made?

Alex Burghart: The hon. Gentleman makes a good point; I will consult my notes while he is speaking, and perhaps return to it in my closing remarks.

The CITB has consulted the industry on these levy proposals via the consensus process, which is 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 are, together, likely to pay more than half the aggregate levy raised, consider that the proposals are necessary to encourage adequate training. Both requirements were satisfied, with 66.5% of likely levy payers in the industry, who between them are likely to pay 63.2% of the aggregate levy, supportive of the CITB's proposals.

The draft order will enable CITB to play its role in aiding employers to secure and retain a sufficient supply of highly skilled labour in the construction industry in these fast-moving times. I commend it to the Committee.

[Alex Burghart]

3.21 pm

Mr Perkins: It is a great pleasure to serve under your chairmanship, Ms Rees.

The Construction Industry Training Board has been instrumental in training the construction industry workforce since it was established in the wake of the Industrial Training Act 1964. The main reason for its creation was to address concerns about UK skills shortages at the time—an issue that seems more pressing than ever.

As Members may well be aware, since the CITB's creation, the primary focus of the board has been to invest the money that it receives from the CITB levy in training and upskilling both the existing workforce and new entrants into the industry. It is essential, for both the construction industry and the wider UK economy, that Britain is able to attract the best new talent through the promotion of construction as an exciting and rewarding career.

I agree entirely with what the Minister said about the crucial importance of the construction industry; the fact that one of the biggest barriers to growth for the UK economy, and the construction industry in particular, is access to skilled labour; and the creation of an environment where young people feel that construction is a career that they can move into. Anyone who has sought to get any kind of building work done will know how difficult it is to attract a reliable, skilled workforce that is available, even for basic home improvements. That is even more the case within house building and other aspects of the construction sector, so this is a matter of supreme importance.

The CITB has been at the forefront of the implementation of T-levels for the construction sector, and of new frameworks for apprentices in the industry. I had the great privilege to visit both the HomeServe academy in Birmingham and the Steve Willis academy in Burgess Hill to see how apprentices in the sector are progressing and the wide range of opportunities open to those starting out in the industry. While there are a huge number of opportunities in the industry, there are still far too few people being given opportunities to move into the sector, with HomeServe estimating that as many as 30,000 too few apprentices are coming through every year to keep pace with the growth opportunities and the retirements in what is an ageing workforce.

With the industry facing the twin challenges of an ageing workforce and the decline in migrant labour following Britain's departure from the European Union, the role of the CITB—to make it easy for levy-paying firms to get funding for innovation and skills development—has never been more important. It has also never been more important for the Government to take a strategic view on supporting an industry that is largely based on subcontracted workers, and to recognise why we continue to have a huge skills shortage within the sector.

The Minister said a few moments ago that he has been speaking to further education colleges that have experienced many new employers getting involved in training, where previously they might have relied on migrant labour. That is great to hear. As he and the Committee will be aware, the Labour party was against

the idea of Britain leaving the European Union, but is committed to making Brexit work in the best way that it can. One of the clear opportunities that exist as a result of the reduction in migrant labour—not only an opportunity, but an imperative for the UK economy—is to train up more of our own people to get into such sectors and to ensure that the route into developing a career in construction is as easy as possible. We are 100% behind that opportunity.

I have to say, however, that the Government are not strategic in developing those opportunities. There is much more that they can do. They have absolutely outsourced responsibility for skills policy to employers. Of course employers need to play a key role—they want to take these people on and need to be involved every step of the way on training—but the more the Government have put employers in the driving seat over the past 12 years, the more the skills shortages have grown. In a variety of sectors—the construction industry is no exception—we have seen a massive reduction in the number of people who are able to be trained up.

Kirsty Blackman: An awful lot of what we have talked about is focused on England, but CITB is national, over all these islands. The difference in Scotland is that we are doing some of the things that the hon. Gentleman is suggesting: we have Developing the Young Workforce, which is a partnership between the private sector and education, in an attempt to ensure that the skills that come through are those that are needed by business. DYW is now embedded in Scotland and is a good success story. I urge him and the Minister to look into what is happening with it, and to consider it as a basis for something that could go forward in England.

Mr Perkins: The hon. Lady is right that the devolved authorities in Wales and Scotland have innovated in some areas. I am conscious of some of those innovations, and am happy to learn more about them. I thank her for that invitation.

To turn to the draft order, we supported the levy rates being halved temporarily under the previous order to 0.175% on directly employed workers and 0.625% on taxable subcontractors, net of CIS—the construction industry scheme—to support businesses through the pandemic, at a time when workers were being furloughed and many works were being postponed and delayed, and when much less training was happening. It is encouraging that, as we return to some kind of normality, businesses across the sector are able to develop projects and developments, so we support the return to the previous level.

The Minister was right to say that the draft order is not the beginning and end of investment in construction skills, but a lot more needs to be done from a strategic perspective. The Government need to recognise that an industry that is largely focused on subcontracted work will often have everyone saying that training up the next generation is someone else's responsibility. The idea that the sector will just do that itself if we get out of its way and give it the space to do so is optimistic at best, and arguably naive. That is what we have seen: not enough people are being attracted into the sector.

It is vital to ensure that the CITB is able to support such training needs over the next three years. That is

why we support the return to the pre-pandemic levy rates. We need to ensure the right balance in the draft order between supporting businesses and the continued training and development of staff, while ensuring that smaller businesses are encouraged and not penalised, in particular when starting to get back on their feet post pandemic. Overall, the order largely does that, retaining the wage bill exemption threshold for the levy at £120,000. We think that that is sensible, given the challenges faced by business.

We need to ensure that there is a strong conversation between Government and the sector. The idea that it will simply take up the slack is not one that we agree with. It is important that the sector takes responsibility for ensuring that there is a strategic plan to attract the next generation, and that people at all levels and in all geographies are able to access it. My hon. Friend the Member for Wirral West made a powerful point in that regard: we need to make sure that in the smaller towns and areas without a big construction industry—perhaps those that have smaller amounts of new house building going on—people are able to access those opportunities, too.

As the Minister will be aware, there is still some resentment from larger employers that they are required to pay both the CITB and apprenticeship levies. It is therefore crucial that the CITB levy adds value to businesses and the wider construction workforce and, indeed, that it is seen to do so. Having diligently read through the CITB four-year strategic plan for 2021-2025—my speech says “scanned through”, but actually I read it diligently—I know that £66.9 million is allocated for other support.

With the need to ensure that the CITB levy is value for money, and in the interest of transparency, can the Minister tell us a bit more about what “other support” actually encompasses and ensure that the sector is aware of where exactly that money is going? There is also £2 million being spent on research. Can the Minister set out what sort of projects and research will be undertaken and how that will lead to more skilled workers in the future?

I note that although construction was one of the first three T-levels launched in September 2020, T-levels do not actually muster a mention in the four-year strategic plan. Can the Minister outline how T-levels fit into the CITB’s plans for the future of the workforce, particularly in terms of building pipelines for the next generation to enter the construction sector?

Since the introduction of the construction T-level, the Department for Education has added skills bootcamps and flexi-apprenticeships for construction. The Minister spoke about bootcamps a moment ago; I would be interested to hear how many people he anticipates going on those bootcamps over the four-year period and whether he believes that they are delivering on what Government expected.

The skills shortages are profound at the moment. On that basis, I question whether unpaid traineeships, in a sector that is already understaffed, are the most attractive way of attracting new people into the sector. Has the Minister given any thought to expanding the number of apprenticeships, rather than funding traineeship opportunities?

I welcome that the Government appear to have backtracked on their proposals to defund the majority

of BTECs. Will the Minister update us on the future of BTEC routes into construction and provide us with a guarantee that businesses and those who want to work in the construction sector will be able to access those qualifications in the coming years?

As Committee members will be aware, the consequences of the fire at Grenfell are still deeply felt. It is important that lessons have been learned across the building industry. However, Grenfell and its aftermath are only briefly acknowledged in the strategic plan, with a reference to post-Hackitt and energy-efficient retrofits. Can the Minister reassure the Committee that future recruits and existing workers will be trained so that a mindset of ensuring safety and building sustainability is paramount in their thoughts?

As I stated earlier, the Opposition are content for the draft order to be passed, and we hope it will yield the results the Minister and the CITB hope for. However, we once again call on the Government to take a more strategic and hands-on role to ensure that there are more people to address the skills shortage. I look forward to hearing the Minister’s responses to my questions.

3.34 pm

Alex Burghart: I thank the Opposition for their support for the statutory instrument. I make the general point that, although the hon. Gentleman suggests that we are outsourcing skills or offloading responsibility for the skills agenda to employers in its entirety, that is not the case. We are building a really exciting partnership between central Government, employers—who will, of course, be front and centre—colleges, the Institute for Apprenticeships and Technical Education and Ofqual, as well as mayoral combined authorities and upper-tier authorities.

I was privileged the other day to be present at the signing of a memorandum of understanding between a local Teesside FE college and BP on their hydrogen work. What we are seeing there is a fantastic synergy between local government, business and the people who will train the next generation of skilled employees. That is levelling up in action.

Tom Hunt (Ipswich) (Con): I am glad the Minister enjoyed his trip to Teesside. However, the highlight of his visits last week would have been going to Ipswich, where he visited Suffolk New College. Does he agree that the most powerful thing is where we have brilliant further education colleges, such as Suffolk New College, working hand-in-glove with local businesses to pinpoint the skills needs in the local area?

Alex Burghart: Absolutely; how could I forget my visit to Suffolk New College in Ipswich last week? I saw a fantastic appetite for our skills agenda there. Suffolk New College is a great provider of T-levels. It works closely with employers to give students a work placement, so that they can gain skills on the job while learning the background in the classroom. I very much enjoyed my trip and hope to return to Suffolk before too long.

With reference to T-levels and BTECs, the construction T-level route that we have set up is very popular. I have been pleased to see colleges across the country taking advantage of that and giving students new opportunities, as well as employers providing work placements. With

[Alex Burghart]

BTECs, we have been clear on our course from the start: we are shifting from BTECs to T-levels in those areas where T-levels exist, but in the areas where T-levels do not exist and there is no overlap, I would expect those BTEC courses to continue.

Mr Perkins: I am not sure if the Minister has just made an announcement, because we do not yet have the list of the courses that will not be carrying on. Is he saying that the BTEC in construction is one of those that the Government are intending to get rid of to be replaced by the T-level? That is what it sounded like. If that is not the case, can he provide an update on what he sees as the future for the BTEC in construction? He mentions that the T-level is very popular, but actually far more students are studying the BTEC at the moment. Can he clarify that matter?

Alex Burghart: We are only in our second year of T-level delivery and I am very much looking forward to seeing the first results in August. The hon. Gentleman

sat through many days of debates on the Skills and Post-16 Education Bill, where he heard both myself and the Secretary of State say that where BTECs and other level 3 qualifications overlap with T-levels, we expect T-levels to be the successor course—I remember a long debate we had about that issue in a Committee Room down the corridor. Obviously, in those areas where there is no T-level, there will be no overlap. I fully expect the Government to say more on that in the coming months.

It has been wonderful to serve under your chairmanship, Ms Rees, and to find that we have cross-party agreement on the CITB statutory instrument.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Industrial Training Levy (Construction Industry Training Board) Order 2022.

3.39 pm

Committee rose.