

Impact Assessment of The Industrial Training Levy (Engineering Construction Industry Training Board) Order 2023

January 2023

Contents

Problem under consideration	3
Background	3
Rationale for intervention	3
Policy objective	5
Description of options considered	6
Option 1 - approve the levy proposals	7
Option 2 - reject the levy proposals on the basis that they are “inexpedient,” providing the reasons why and direct the ECITB to come forward with alternative proposals addressing the reasons for refusal	8
Monetised and non-monetised costs and benefits	10
Costs	10
Benefits	12
Direct costs and benefits to business calculations	15
Wider impacts	15
Equalities	16
Small Businesses	17
Appendix A : Breakdown of ECITB levy consensus result 2022	18
Appendix B : Evidence of Industry Support for the Levy and Grant System	19

Problem under consideration

Background

1. The Engineering Construction Industry Training Board (ECITB) is the non-departmental public body of the Department for Education. It is authorised by Parliament (pursuant to the [Industrial Training Act 1982](#)) to impose a statutory levy on employers in the engineering construction industry to fund its operations. ECITB does not receive any grant-in-aid funding from Government. Section 11 of the Industrial Training Act 1982 enables ECITB to submit proposals to the Secretary of State for the raising and collection of a levy on employers in the engineering construction industry over a period of up to three years. If certain conditions are met, the Secretary of State may give effect to the levy proposals by way of a Levy Order.
2. The ECITB exists to address the market failure for skills and training that is inherent in the engineering construction industry. The Industrial Training Act 1982 in conjunction with a Levy Order empowers ECITB to collect the levy from employers in the engineering construction industry and then distribute training grants and other support to employers, training providers, individuals and other institutions in the sector.
3. The levy order will enable the ECITB to impose a levy on employers that are 'wholly or mainly' engaged in construction activities throughout England, Scotland, and Wales. [The Industrial Training \(Engineering Construction Board\) Order 1991](#) (the 'Board Order') defines what is classed as engineering construction activity.
4. ECITB is funded by a levy raised under [The Industrial Training Levy \(Engineering Construction Industry Training Board\) Order 2020](#). In order for ECITB to raise a levy for subsequent Levy Periods, ECITB is required to make proposals to industry and ultimately government on the rate and exemption arrangements that apply to the levy they propose to raise. Levy Proposals are subject to Ministerial and Parliamentary approval.
5. In Autumn 2022, the ECITB consulted levy-payers on levy rates for the 2023-25 levy period. 85% of levy payers, who collectively are expected to pay 97% of the levy during the period in question, supported the proposals.
6. This Impact Assessment is concerned with the levy arrangements in respect of the levy periods in 2023, 2024 and 2025.

Rationale for intervention

9. The engineering construction industry consists of contracting companies and their supply chain who collectively are responsible for designing, building,

maintaining, repairing and decommissioning some of the UK's most critical national infrastructure; this includes power generation (conventional and renewable), 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 that is needed to power the economy and grow our energy independence. At the heart of the industry is its workforce, and it is vital the industry has the skills base and expertise to build the infrastructure required to achieve net-zero by 2050 (2045 in Scotland).

10. Past reviews and studies¹ into the engineering construction industry consistently highlight the inherent sectoral barriers – or market failures - that inhibit workforce training and the development of skills. Employment is linked to the project lifecycle, which means there are high numbers of temporary workers and a lot of movement between employers. Furthermore, the need for high-level skills in what are safety-critical industrial settings means that training costs are high, while many of the core engineering skills are transferrable to other industries. As a result, individual employers lack the incentive to train their workforce, out of fear of 'poaching' by rival firms.
11. When project activity is strong, the industry can struggle to find sufficient skilled workers to deliver planned projects, a challenge that has been exacerbated recently in the aftermath of COVID-19 and is visible today. During periods of economic downturn, such as that which followed the collapse in the oil price in 2014/15, training budgets are often one of the first areas that employers look to cut alongside people. Training providers may also struggle to remain in business as a result, while redundancies are commonplace – further compounding skills shortages.
12. The ECITB addresses this market failure through its levy and grant system, which gives employees essential skills that enable them to access and work on engineering construction sites, drive up skill levels and incentivise training that would otherwise not take place. A 2021 survey² conducted by IFF Research found that 73% of engineering construction employers believed that without the levy and grant system, training would not take place. Furthermore 80% felt that ECITB ensures smaller companies can access training who would otherwise struggle to do so.
13. The new ECITB strategy for 2023-25³ identifies the key drivers for change facing the engineering construction industry over the coming decade. Among the biggest challenges is the need to grow the volume of skilled workers coming into the industry. ECITB has estimated that at least 25,000 new roles will be needed for planned projects between now and 2025 and the number will grow as other projects are deployed, including the retrofitting of industrial sites with carbon capture and hydrogen production technologies, the further expansion of offshore

¹ Gibson Review, Changing to Compete 2009; and Building Support: Review of the Industry Training Boards 2017,

² IFF Research Ltd, ECITB Customer Satisfaction and Stakeholder Research report, December 2021

³ ECITB Strategy 2023-5 <https://www.ecitb.org.uk/wp-content/uploads/2022/09/Strategy-Booklet-23-25-FA-web.pdf>

wind and the building of 26GW of new nuclear power capacity as envisaged in the British Energy Security Strategy⁴.

14. The Engineering Construction industry will need to attract more new entrants to replace an ageing workforce and meet demand growth. A particular focus of ECITB's strategy will be placed on tackling the shortfall in the number of skilled workers, especially in craft and technician roles that will be essential to the construction of planned infrastructure projects. This includes continuing to support apprenticeships, developing and building on alternative entry programmes such as ECITB's scholarship programme and skills bootcamps, as well as upskilling and reskilling programmes for existing workers and those in allied industries.
15. In addressing the skills shortfall, the industry will also need to change in order to reach a more diverse talent pool. The ECITB has made diversity and inclusion a strategic objective and will build on its record of grant funding diversity and inclusion training by working with training providers and third-sector bodies to enhance the diversity of representation on its early-careers training programmes.
16. There is a strong public interest in a high-performing, efficient and safe engineering construction industry. A 2017 study by CEBR⁵ estimated that the industry contributes up to £325bn in turnover and £100bn in GVA, and employs around 190,000 people in the UK. The country's economic success relies on delivering key infrastructure. There is a further economic benefit from the large number and wide range of employment opportunities that the industry provides, many of them well-paid, highly skilled and offering good progression opportunities.
17. The ECITB levy should be considered in the context of the nature of, and challenges facing, the industry, its specific skills needs, as well as other government policy measures. If the training levy on employers is removed or reduced, then industry will not have the skills it needs to support economic recovery and further government funding for skills will be needed.

Policy objective

18. The objective of the ECITB levy is to raise sufficient funds to meet ECITB's expenditure on training the workforce across the engineering construction industry to secure an adequate supply of skilled labour. The ECITB provides a wide range of services and training initiatives including: setting occupational standards; promoting career pathways and supporting routes into those careers, funding strategic industry initiatives, designing and awarding vocational qualifications, and paying direct grants to employers who carry out training to approved standards.

⁴ <https://www.gov.uk/government/publications/british-energy-security-strategy/british-energy-security-strategy>

⁵ CEBR, The Economic Footprint of Engineering Construction, November 2017 <https://www.ecitb.org.uk/wp-content/uploads/2018/12/EC02-ECITB-CEBR-Report-FINAL-23.01.18.pdf>

19. Only employers wholly or mainly engaged in engineering construction industry activities (as defined by the Board Order) are required to pay levy. The ECITB levies two rates, one for 'site-based workers' and another for other or 'offsite' workers. The site rate is currently set at 1.2% of gross labour emoluments, while the offsite rate is 0.33%. There are exemptions in place for smaller businesses; those with gross labour emoluments in respect of their site workforce which are less than £275,000 per year are exempt from paying the site levy. Those with gross labour emoluments in respect of all other workers less than £1m per year are exempt from paying the other/offsite levy.
20. All employers registered with ECITB, regardless of whether they are liable to pay levy, can claim grants towards training, subject to the conditions of ECITB grant schemes. In 2022, 95% of levy payers received training grants, while 60% of non-levy payers – the vast majority of which were smaller businesses - also accessed ECITB grants.
21. Levy payers in the engineering construction industry have consistently supported the statutory underpinning of their training arrangements. This is evidenced by consistent majority support from the industry for previous ECITB proposals for Levy Orders. In 2019, 75% of levy payers supported the ECITB's proposals which included a phased increase in the other/offsite levy in 2019 from 0.14% to 0.33% by 2022. Under the legislation, ECITB needs to demonstrate that the Levy Proposals have support from employers and/or organisations representing employers who are likely to be liable for Levy payments – and this support has been consistently secured over the years.

Description of options considered

9. Following consultation with industry, the ECITB submitted levy proposals to the Secretary of State in November 2022 in respect of the levy periods in 2023, 2024 and 2025, as provided under the Industrial Training Act 1982.
10. The proposals, on which the industry was consulted, are to maintain the current levy rates at 1.2% of gross annual labour emoluments for site-based workers and 0.33% for other workers. The exemption thresholds will also remain the same.
11. The Secretary of State has agreed that the legal requirements have been met to make a Levy Order giving effect to those proposals, subject to Parliamentary approval as required by that Act.
12. This Impact Assessment considers the cost and benefits of approving the 2023, 2024 and 2025 Levy Proposals. Two policy options are therefore examined:
 - Option 1 - approve the Levy Proposals
 - Option 2 - reject the levy proposals on the basis that they are "inexpedient," providing the reasons why and direct the ECITB to come forward with alternative proposals addressing the reasons for refusal.

Option 1 - approve the Levy Proposals

13. The purpose of the ECITB levy is to fund industrial training and skills activities, as directed by the Board. The levy rates were determined following close consultation with industry representatives (including levy payers, non-levy payers, clients/asset owners, training providers, trade unions and governments) on the contents of the proposed ECITB strategy for 2023-25. In effect, the levy raised is intended to fund the strategy alongside ECITB's remit of grant supporting training in the industry.
14. As part of the ECITB's strategy development and industry consultation, the Board considered the likely impact of different levy rates. Feedback from industry unanimously suggested that ECITB should not reduce its levy rates – to do so would have been to deprive industry from collective skills funding at a time when investing in the workforce and tackling skilled labour shortages is a critical concern across industry.
15. The Board considered a levy rate increase noting that, at the last consultation in 2019, industry agreed to an increase in the other/offsite levy rate. Following careful consideration, the Board agreed that it would not be appropriate to propose a raising of the rates, for the following reasons.
 - The industry is still in a relatively fragile state of recovery post-Covid. Despite the predicted growth in skills demand, the current project volume seen by many in-scope contractors is not yet reflecting that growth.
 - Operational costs for employers are increasing due to the extraordinary rise in energy prices, and the rise in NICs which was brought in from April 2022.
 - At the time, the impact of the windfall tax on oil and gas producers (and what it means for their contracting community) was yet to be fully understood.
 - The phased levy increase agreed in 2019 has not yet been implemented in full. The final stage of increase will apply to levy raised in January 2023 (for the 2022 base period) when the offsite levy will rise to 0.33%.
 - ECITB's assessment is that effective levy income is likely to rise over the next strategy period because of the combined effects of rising recruitment to meet increasing project demands and wage inflation that is likely to occur as a result of labour shortages across the engineering construction industry.
16. After considering feedback from industry, the ECITB Board agreed that maintaining the current levy rates would be the best approach and would balance the need to reflect the prevailing economic challenges with the need to continue to invest in workplace training and skills on behalf of the industry.
17. ECITB then took the reasonable steps to ascertain the views of employers who are likely to be liable to Levy payments under the 2023 -2025 Levy Proposals. The Industrial Training Act 1982 sets out at S11(6)(a) that the Secretary of State may give effect to Levy Proposals if, after consulting with industry in this way, ECITB can demonstrate that employers representing more than half the employers who are likely to be liable for Levy payments and employers who

together are likely to pay more than half the total amount of Levy payable consider the proposals are necessary to encourage adequate training in the industry. The Secretary of State must also consider that the Levy periods are appropriate in the circumstances and that employers who ought to be exempted in view of their small numbers of employees are exempted from Levy payments.

18. As stated above, 85% of levy payers, who collectively are expected to pay 97% of the levy during the period in question, supported the proposals. This is the largest mandate received by the ECITB in living memory and reflects the depth and breadth of support for the levy and the ECITB's strategic plan.

Option 2 - reject the levy proposals on the basis that they are “inexpedient,” providing the reasons why and direct the ECITB to come forward with alternative proposals addressing the reasons for refusal.

19. The Levy Proposals for 2023, 2024 and 2025, which will be collected in 2024, 2025 and 2026 respectively, are expected to raise approximately £87m from the engineering construction industry for ECITB to invest in training and skills. Rejecting the proposals and not seeking revised proposals, would mean ECITB would have no Levy income to invest after March 2023.
20. If the Levy were to cease, employers would need to determine their own training arrangements without support, procure their own training directly, devise their own standards and qualifications and, would need to cover the full cost of training which is currently subsidised through ECITB grants. In addition, without the grants, it is likely that many small businesses would not be able to afford to train their workforce. ECITB is also a participating employer in the ITB Pension Fund which was predominately operated through a defined benefit scheme until 31 December 2016. Any pension obligations pertaining to this scheme would potentially need to be funded by either industry or by HM Treasury.
21. The nature and structure of the UK's engineering construction creates an inherent market failure in the area of workforce training and skills development. Whilst it is difficult to precisely forecast how engineering construction employers would react without the levy, it is clear that a fear of poaching in what is a highly cost competitive industry with slim margins would almost inevitably lead to a decline in training activity. As stated above, a 2021 study carried out by the independent IFF Research found that 73% of employers surveyed felt that without the levy and grant system the training would not take place. Furthermore 80% agreed that the levy and grant system ensures that smaller businesses can access training which they may otherwise struggle to access. Were the ECITB not able to raise a levy, it is likely that we would see a significant reduction in the volume of training carried out, as well as a reduction in the number of new entrants joining the industry.

22. The Engineering Construction Industry, and many allied sectors are facing a shortage of skilled workers in the aftermath of Covid-19. Employers are currently struggling to service existing projects due to staff shortages, and the project pipeline for engineering construction is only set to grow over the coming years. Major projects such as Hinkley Point C are approaching peak construction phase where approximately 10,000 workers will be needed on site. The ECITB itself has forecast an additional 25,000 in-scope workers will be needed by 2025, whilst in the longer term Mace⁶ forecast that 350,000 workers FTE equivalent will be needed per year by 2050 to deliver projects earmarked to decarbonise the industrial sectors alone. Employer investment in skills is therefore essential in order to produce a pipeline of domestically trained engineering construction workers who can deliver these and other key national infrastructure projects, as well as meet the Government's plans for energy security, net zero by 2050 and levelling up.
23. While many employers in the engineering construction industry also pay the Apprenticeship Levy, it is important to note that the two levies have very different purposes. The apprenticeship levy is available only to fund apprenticeship training. In contrast the ECITB levy funds the full range of non-apprenticeship training, from craft and technical to supervisory and management training. ECITB also invests in other non-apprenticeship entry-level routes into industry, such as the ECITB Scholarship which is supporting young people to gain industry recognised training and a qualification to enter employment. ECITB levy funds are further used to fund strategic skills initiatives across England, Scotland and Wales, including competence assurance schemes such as Connected Competence that seek to standardise competency requirements in an effort to remove duplication of training and unnecessary cost, which is currently being rolled out in the oil and gas industry and will be extended to other sectors including nuclear in the future.
24. The Industry Training Board Review⁷ published in November 2017 considered the need for the ECITB Levy in light of the introduction of the Apprenticeship Levy in April 2017. It determined that any removal of the ECITB Levy would mean less funding was available overall, at a time when levels of training needed to increase. It also determined that no alternatives to retaining the industrial training levy would be effective given the nature of the industry, and that 'a sector levy needs an expert, accountable body to make sure it is spent well'. Importantly, the ECITB levy acts in a complimentary fashion to the apprenticeship levy: ECITB apprentice grants, as well as the expert support provided by ECITB to employers, encourages and incentivises employers (particularly SMEs) to take on apprentices and supports the costs of having an apprentice, such as by subsidising travel and accommodation costs (where necessary), supervision and mentoring.
25. The ECITB Levy plays a vital role in promoting long-term careers within in the industry, the development of occupational standards and qualifications, and the conducting of research to enable ECITB and government to better understand

⁶ Mace and the University of Chester, Enabling Skills for the Industrial Decarbonisation Supply Chain, November 2022

⁷ Building Support: Review of the Industry Training Boards 2017

and address challenges within the industry. The role of the ECITB levy, in conjunction with the Apprenticeship Levy, continues to be essential in the development of key skills and by extension, the competitiveness and quality of the engineering construction industry.

26. The ECITB has taken steps in recent years to improve how it works and ensure the levy provides value for money. It has reduced costs by selling its former Head Office and increased its efforts to introduce a greater array of blended learning options, thus reducing the need to expend grant. The ECITB has also taken steps to improve its relationship with training providers to ensure that it works more closely with them in the identification of training solutions that best meet the needs of industry. Finally, the ECITB has improved its governance processes following previous reforms to streamline the Board and now has representation, through its Council, of groups such as young workers in the industry (represented through the Innov8 group).

Monetised and non-monetised costs and benefits

Costs

27. The total costs to industry of the levy proposals are based on the amount the ECITB expects to raise during the base periods 2023-25, as well as the indirect administrative costs to employers (namely, completing a levy declaration and making a levy payment transaction). The estimates for levy income are based on assumptions around headcount and wages, which are calculated in line with HM Treasury’s assessment of independent economy forecasts, published in November 2022.
28. Table 1 sets out the ECITB’s range assessment of likely levy income and includes a ‘low’ and ‘high’ growth scenarios. These are current forecasts based on the levy that ECITB will raise in 2023, projected out to future years by factoring in both the expected change in wages and also employee numbers across the Engineering Construction Industry. Some key changes that would affect this forecast are changes in the list of employers who are eligible to pay the levy and major, unforeseen changes in the size of the Industry.

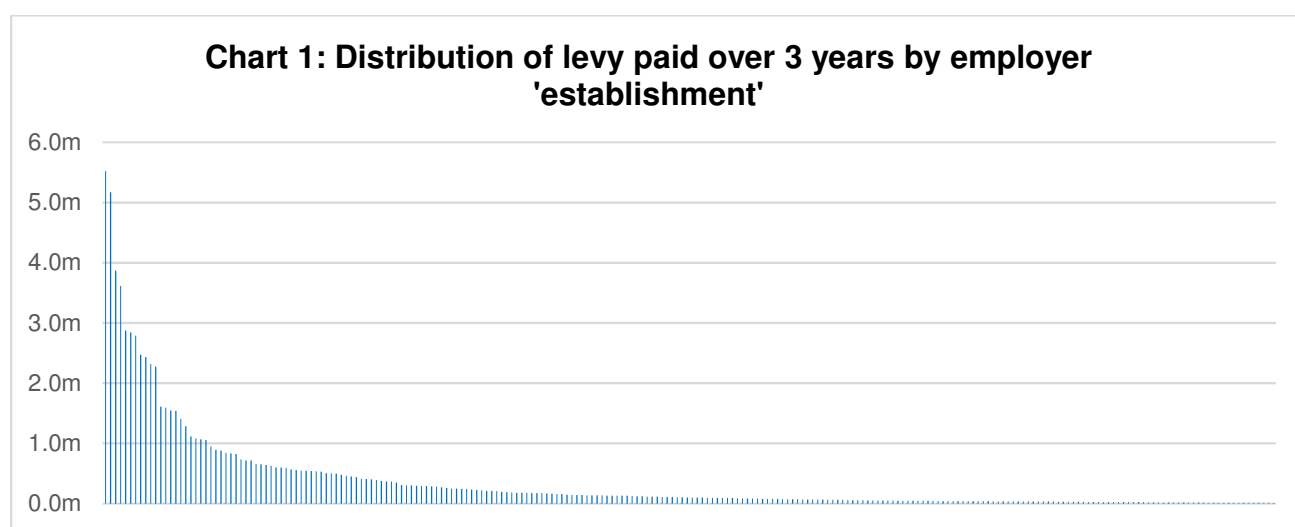
Levy income	LOW	HIGH	AVERAGE
2024	£30.6m	£31.5m	£31.1m
2025	£29.5m	£30.4m	£30.0m
2026	£30.1m	£31.0m	£30.6m
Total	£90.1m	£92.9m	£91.5m

Table 1: Forecast amounts to be raised from the ECITB’s levy proposals

29. The levy income represents the year that the levy is due and is based on an employer’s wage bill for levy base periods 2023 to 2025.

30. Of the 285 employers currently on the ECITB's register, who collectively employ over 80,000 in-scope workers, 235 (82%) are expected to pay levy. These employers are liable to pay the levy as they operate establishments in which at least 50% of the workforce undertakes engineering construction activities as defined in the legislation (the Industrial Training Act, 1982 and associated regulations), and their labour emoluments exceed the relevant minimum thresholds. 50 employers (18%) will not pay levy owing to the minimum thresholds set out in paragraph 19.

31. Chart 1 shows the distribution of levy that will be paid by each establishment over the three year period. The mean levy paid will be £369,855, while the median levy paid will be £98,145. The higher mean is due to a small number of 'outliers' namely very large employers who are expected to pay relatively high levy amounts due to the size of their in-scope workforce.



32. Table 2 below provides a breakdown of employers liable to pay the levy by size and sub-sector.

33.

Empl oyers *	Gross 2022 Levy £m	Non- Levy Payers	2022 Training Expenditure* *	Region/Sector
53	12.4	9	9.7	Scotland: Predominantly offshore oil and gas, but also refining, renewables and general engineering, Nuclear
93	7.1	23	5.3	North of England: renewables, Energy generation, refining, steel, oil and gas support, pharma, Nuclear
75	3.2	16	2.6	Wales, Midlands & East of England: Southern North Sea [Gas], Energy generations, renewables, water, waste
59	3.6	15	2.6	South and Engineering Design and Procurement: Also, pharma, refining, water and waste treatment, Nuclear

2023 Table above

***Defined as companies consulted on the levy proposals + quantity of non-levy payers declared by the regional account management team - 3 companies have establishments that span more than one region**

****A further c. £2m was spent on projects spanning all regions, which included ECITB's scholarship program.**

34. Indirect costs from the Levy Proposals include the cost of employers completing their annual Levy Returns, providing details of the number of employees on their payroll and the size of their wage bill. It is a requirement of all in-scope engineering construction employers to allow ECITB to calculate their Levy bill. The compliance costs relate to staff time or using third parties (e.g. accountants) in completing the Levy Return. Compliance costs depend upon the size of an employer's payroll and their use of subcontractors.
35. All employers who are registered with ECITB, both levy payers and small firms exempt from paying levy, can claim training grants. In previous years, grants could only be claimed via completion of physical grant application forms. ECITB has since introduced a 'member services portal' where grants can be accessed digitally which has helped to reduce the administrative costs of accessing training grants.
36. The monetised direct and indirect administration costs of rejecting the levy proposals (option 2) would prima facie be zero (in the absence of new levy proposals being submitted) as no levy order would be in place for the levy period in question. This, however, needs to be weighed against the benefits of the levy described below and the serious risk that insufficient training would be carried out in the absence of the levy.

Benefits

37. The funds raised by the levy are used to fund ECITB's activity to support the engineering construction industry attract, train and qualify the skilled workforce it requires. ECITB's core function is currently to provide direct grants and funding to employers to train new staff or develop the skills of their existing workforce. ECITB also delivers a range of other functions, such as funding for strategic skills initiatives, producing labour market intelligence, developing standards and qualifications, quality assuring training providers and devising competence assurance schemes.
38. The ECITB levy and grant system supports and incentivises employers of all sizes to train their workforce. Employees work in safety-critical environments and it is vital they receive the appropriate level of training and competence assurance at regular intervals to ensure their skills are current, as well as upskilling and reskilling opportunities to enhance productivity and career progression.

39. In 2021, the ECITB commissioned IFF Research to produce an independent Customer Satisfaction and Stakeholder survey⁸. Among the key findings, the research found:

- 89% of employers who had accessed ECITB grants or other products and services in the previous 12 months said the training met their needs.
- 91% of employers who had accessed ECITB grants or other products and services in the previous 12 months were satisfied with their accessibility, while 86% were satisfied with the quality.
- 85% of employers were satisfied with the administration of training grants and the administration of the training levy, while 73% were satisfied with the ECITB's 'Member Services Portal'
- 80% of employers felt that the levy and grant system ensures smaller companies can access training, who would otherwise struggle to do so.
- 76% of employers felt that ECITB had helped to improve the competence of their workforce
- 76% of employers felt the ECITB was effective in supporting the development and retention of essential skills
- 73% of employers felt that without the levy and grant system, the training would not take place.

40. In addition to employers, a number of other groups benefit from the ECITB levy:

- Employees/learners who receive the training – since 2020, ECITB has supported the training and development of nearly 4,000 new entrants, issued 64,000 CCNSG safety cards and delivered nearly 22,000 technical tests.
- Client companies/operators – who require a skilled supply chain of contractors to deliver projects, spanning engineering design, construction, repair and maintenance and decommissioning work.
- Approved training providers - whose businesses rely on demand for training from engineering construction employers, which is enabled by the levy/grant system.

41. The monetised benefits of the levy can be described in terms of how ECITB plans to invest levy income to support the engineering construction industry, and in terms of the estimated economic benefits of that investment in relation to higher earnings for learners and higher profits for employers, as a consequence of the impact of training on workers' productivity.

42. Boosting the skills of the engineering construction industry's labour force through training contributes to the growth and productivity of higher value add industries. It also prevents employers incurring the excess employment costs per unit of output that reduce industry and national productivity. Given the engineering construction industry is central to infrastructure delivery, industrial decarbonisation and other projects at the centre of local and national economies,

⁸ IFF Research, ECITB Customer Satisfaction and Stakeholder Research Report, December 2021

the speed, quality and efficiency benefits arising from having a trained and skilled workforce have a multiplier effect through improving the quality of infrastructure and reducing the time to market of further downstream economic activities.

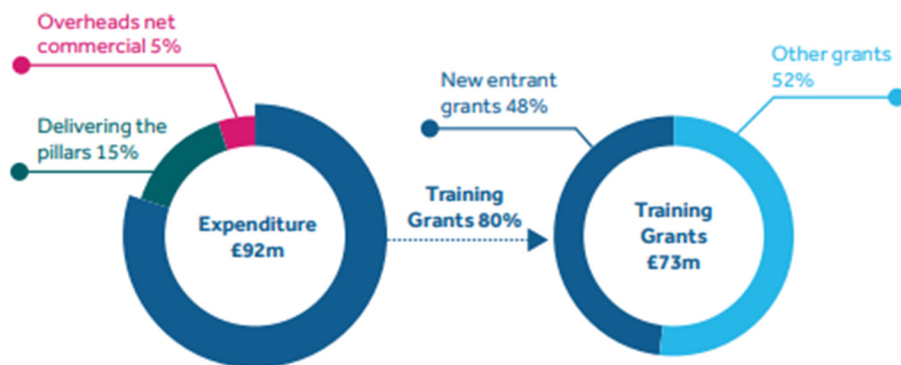
43. At an individual level, evidence suggests that skills acquisition enables an individual to command higher wages. A higher waged individual has greater spending power, which in turn boosts the wider economy. For example, it has been estimated that the increase in wages as a result of achieving a Level 2 and Level 3 engineering apprenticeship are 15% and 22% respectively (these are higher than the averages for all apprenticeships of 11% and 16% respectively). For non-apprenticeship learning, the benefits are 5% and 10% respectively.⁹
44. The training of new entrants into the industry, which ECITB supports through its grant system and strategic skills initiatives, is vital to mitigating skills shortages and ensuring there is sufficient skilled labour to deliver current and planned infrastructure projects. Between 2023-25, the ECITB Board 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. This is vital to boosting the number of workers entering the industry and gaining the requisite skills required by employers.
45. Within the engineering construction industry, training and competence assurance mitigate the risks associated with working in high-risk and highly-regulated environments. They help to address Health & Safety issues relating to craft, technician and supervisory skills. The ECITB, through its qualifications, technical tests and Connected Competence and ACE schemes, is providing a common competency framework with industry agreed standards. This is vital to ensuring workers are trained to minimum standards and can be sufficiently mobile to be deployed across projects and sectors, thereby mitigating cost and schedule overruns.
46. In 2022, the ECITB invested £22.1m to support skills development within the engineering construction industry, including technical, management and professional training as well as support for apprenticeships and graduates entering industry. £19.3m of this support was in the form of grants to employers to subsidise training costs. This includes grant support for over 2200 apprentices, who were at various stages of their programme, in 2022. All employers who are registered with the ECITB irrespective of size are eligible to receive grant for training undertaken.
47. The COVID-19 crisis required the ECITB to adapt and refocus delivery to respond to the challenges posed by lockdown. To support the retention of apprentices and graduates in the engineering construction workforce, the ECITB launched the Train to Retain initiative. The programme closed at the end of 2021 having supported over 500 apprentices, trainees and graduates. An independent evaluation report by CEBR found the programme provided a £1.9m net benefit to industry. In addition to the financial benefits derived as a result of preventing

⁹ Sources: BIS Research Reports 195 and 229.

redundancies and eliminating rehiring costs, the learners supported through the scheme expanded their skillsets in a range of different areas, bringing added value to their employers.

48. In addition, the ECITB introduced a new Scholarship programme to counteract the 50% fall in apprenticeship starts in 2020 compared to prior to the pandemic. Focused on craft and technician disciplines, the ECITB Scholars are acquiring vital skills and qualifications to commence their careers in industry. In 2021, the ECITB introduced the Energy Transfer Technician Scholarship to prepare a cohort of new entrants with the training they need to successfully work on net zero projects. To date, the ECITB has supported over 350 scholars on these programmes across Great Britain.
49. The ECITB’s new strategic plan for 2023-25, which was developed in close consultation with its stakeholders, will address the key skills challenges facing industry. In addition to training new entrants and expanding entry-level pathways into industry, the ECITB will inter alia work to broaden access to training, including through developing blended learning solutions, help learners grow their digital skills, and develop training and skills solutions to prepare the workforce for Net Zero.
50. Chart 2 sets out the ECITB’s expected expenditure over the 2023-5 strategic period. As stated above, ECITB proposes to spend 48% of its grant expenditure on new entrants, with the remaining 52% dedicated to training existing workers.

Chart 2: ECITB planned expenditure by area, 2023-25



Direct costs and benefits to business calculations

51. Taxes, levies and other charges on businesses do not count as regulatory provisions and are therefore not subject to the regulatory framework¹⁰. The proposed Industrial Training Levy (Engineering Construction Industry Training Board) Order 2023 is therefore out of scope of the regulatory framework. As this Impact Assessment is out of scope, an Equivalent Annual Net Direct Cost to Business (EANDCB) has not been calculated for this Order. In addition, a NPV

(the difference between the Present Value of a stream of costs and a stream of benefits) has not been calculated for this Impact Assessment.

Wider impacts

Equalities

52. We have reviewed the equalities implications of the 2023 Levy Proposals and have provided the required PSED Assessment. We do not believe that the ECITB Levy Order 2023 will disadvantage some people or groups more than others either through direct and indirect discrimination, discrimination arising from disability and need to make reasonable adjustments, victimisation and harassment or any other forms of discrimination. No forms of discrimination are considered to arise. The 2023,2024 and 2025 levy is payable by industry employers wholly or mainly engaged in work which fall within the scope of the ECITB. It is not a levy on individuals.
53. The ECITB is, however, determined to support the industry to improve diversity of representation and inclusivity. The most visible issues are the under-representation of women and of people from the Black, Asian and other Ethnic Minority backgrounds in the industry. It is difficult to isolate engineering construction diversity data in ONS data sets directly but according to EngineeringUK analysis¹⁰ of Labour Force Survey data, the average representation of females in core and related engineering occupations across all economy sectors in 2021 was 16.5%, reducing to 12.5% for female engineers working in all engineering sectors. For ethnicity, minority ethnic representation in engineering occupations has been increasing over the last decade and in 2021 stood at 11.4%, compared to a UK population figure of 18.3%.
54. In 2021 the ECITB conducted its first engineering construction workforce census¹¹ across its in-scope employer base. This included some high-level demographic questions and provided a diversity baseline for the collective sectors in which companies in-scope to the ECITB operate (oil & gas, power generation, nuclear, renewables, chemical processing, food & drink, water treatment, pharmaceutical processing). We received census returns from 153 companies representing over 45,000 workers. These returns revealed overall representation of 13.8% female and 4% ethnic minorities in engineering construction, although ethnicity data was returned for only 20% of the reported workforce. Over one third of the companies who responded stated they did not collect ethnicity data (compared to a 90% return rate for gender data) which, in itself, presents a significant challenge to positioning and tracking diversity action.

¹⁰ [trends-in-the-engineering-workforce_engineeringuk_2022.pdf](#)

¹¹ [ECITB Workforce Census 2021 - ECITB](#)

55. The diversity and inclusion challenges are not attributable to the Levy proposals, however the ECITB is aware of the important role it can play to stimulate action and support industry in developing more diverse and inclusive workplaces.

Small Businesses

56. The Levy Proposals provide a full exemption for any employer whose gross annual labour emoluments in respect of site workers are less than £275,000 and £1m in respect of other/offsite workers. Small businesses are, however, eligible to claim grants towards the cost of training their workforce.

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely cost, benefits, and impact of the leading options

Signed by the responsible Minister Robert Halfon Date: ..07 June 2023.....

Appendix A: Breakdown of ECITB 2022 consensus result

57. The following steps were taken by the ECITB to consult with, and measure the views of, levy-paying employers concerning the proposed levy arrangements to apply in the 2023 to 2025 (inclusive) levy periods:
- Consultation with the two prescribed organisations (ECIA and BCECA), which in turn have consulted with and measured the views of their levy-paying members.
 - Consultation with “unrepresented” employers (i.e. levy payers which are not currently members of the said employer associations) both in writing and at Regional Forum meetings held in September and October 2022. Employers participated in the voting by submitting voting forms to the ECITB.
58. Both prescribed organisations confirmed that their levy paying members were in favour of the levy proposals. Accordingly, all levy paying members (61 in total) of the employer associations were deemed to be supportive of the proposals. Furthermore, 123 of the 156 unrepresented employers confirmed their support for the proposal, a further 12 employers declined to support the proposals and 21 employers did not respond. On this basis:
- 85% of the levy-paying employers are supportive of the proposal, and such employers will pay 97% of the aggregate levy,
 - 6% of the levy-paying employers did not support the proposal, representing 2% of the aggregate levy, and
 - 9% of the levy-paying employers did not respond to the proposal, representing 1% of the aggregate levy.

Results of the Levy Consultation

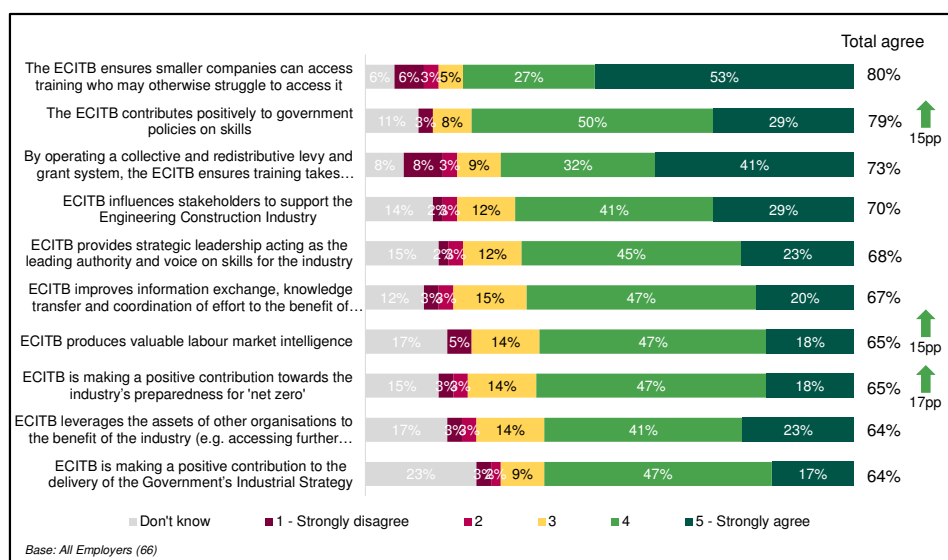
Levy payers – Employer Association (EA) Members and Non-EA employers	
Total number of levy paying employers	217
Total number of levy paying EA members	61
Total number of non-EA levy paying employers – Votes in favour	123
Total number of non-EA levy paying employers – Non responses or abstentions	21
Total number of non-EA levy paying employers – Votes Against	12
Total percentage of levy paying employers in support of levy resolution	85%

Levy payers – Employer Association (EA) Members and Non-EA employers	
Total levy paid / To be paid by all levy paying employers	£26,264k
Total levy paid/ To be paid by EA members	£14,515k
Total levy paid/ To be paid by non-EA members – Votes in favour	£10,849k
Total levy paid/ To be paid by non-EA members – Non responses or abstentions	£350k
Total levy paid/ To be paid by non-EA members – Votes Against	£551k
Total percentage of levy in support of levy resolution	97%

Appendix B – Evidence of Industry Support for ECITB’s Levy and Grant system

59. Industry consistently back, in large majority, the ECITB’s levy proposals. In addition to the unprecedented level of support for the 2022 proposals outlined in Appendix A, the 2019 levy consultation also saw high levels of support for proposals which included an increase in the ECITB’s offsite levy rate. This highlights the extent to which employers in the engineering construction industry support and value the levy and grant system.
60. The ECITB has commissioned IFF Research to produce an annual Customer and Stakeholder survey. This survey, which has now run for two years, shows the importance of the levy and grant system to the industry, as well as the wider added-value of the ECITB.
61. Figure 1 highlights employer perceptions of ECITB’s strategic value to the industry. 80% believe that the levy and grant system ensures smaller companies can access training, while 73% say that it ensures that training takes place which would otherwise would not. 68% of employers believe that ECITB provides strategic leadership on skills on behalf of the industry, while 79% believe ECITB contributes effectively to government skills policy.

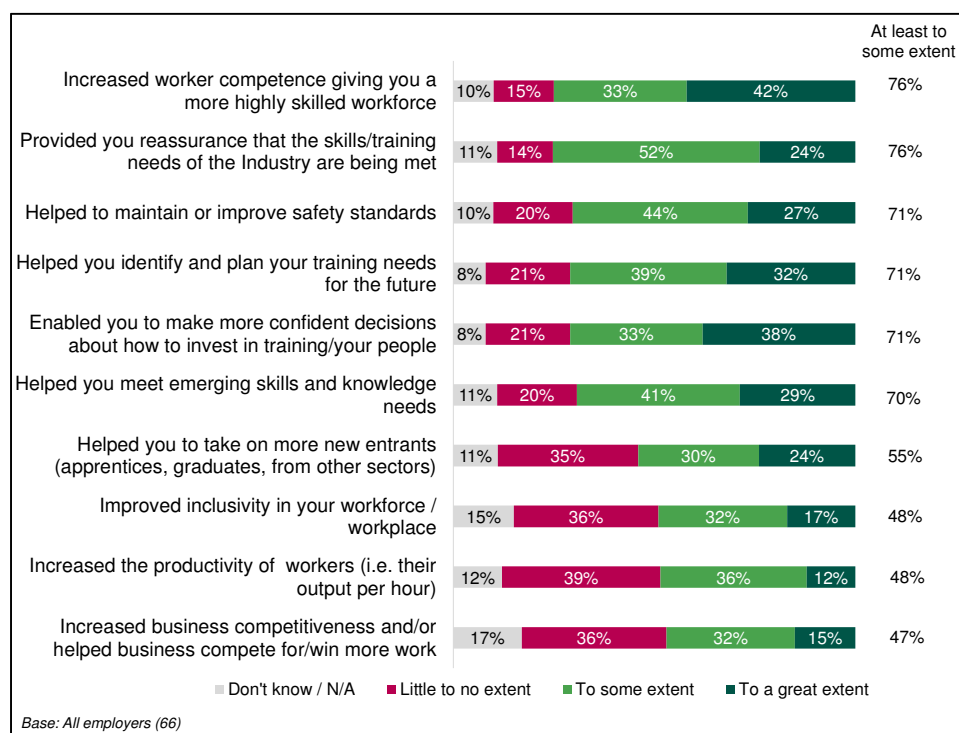
Figure 1: Employer perceptions of ECITB’s strategic value to the industry



62. Employers also have generally favourable views in terms of the outcomes derived as a result of ECITB support (Figure 2). 76% of employers state that ECITB has helped to increase workforce competence, while 71% of employers say ECITB has helped to maintain/improve safety standards. Although only 55% of employers stated in this survey that the ECITB has helped them take on more new entrants, the timing of the survey – during 2021 – accounts for this relatively

low score as fewer employers were prioritising taking on new entrants during this stage of the Covid pandemic.

Figure 2: Extent to which Employers felt that their relationship with ECITB had contributed to achieving the following outcomes



63. Around seven-in-ten (69%) of employers surveyed in 2021 by IFF described their relationship with ECITB in positive terms. They saw ECITB as adding value to the learning and development aims of the business and leading skills strategy for the industry (39%) or adding to the learning and development aims of the business (30%). One in five (21%) reported that they support the levy model and engage with ECITB but only to maximise grant return. Only one in twelve (8%) said either that they do not support the levy model and only engage with ECITB for grant return (3%) or reported that they are disengaged (5%).

Figure 3: Statement best describing Employer’s relationship with ECITB

<i>Base: All Employers</i>	66
We view ECITB as adding value to our learning and development aims and leading skills strategy for the industry	39%
We see ECITB as adding to the learning and development aims of the business	30%
We support the levy model and engage with ECITB but only to maximise grant return	21%
We do not support the levy model and only engage with ECITB for grant return	3%
We feel disengaged and do not seek engagement with ECITB	5%