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Canary in the coal mine: What Carillion's collapse reveals about construction's productivity conundrum

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Abstract

Research commissioned by construction company Mace suggests that the UK could realise enormous financial gains if construction boosted its productivity the way manufacturing has done, and Mace calls on the government to make that happen. However, this article proposes that real construction productivity improvement is impossible under the current contracting business model because the twinned tensions of functional fragmentation and cost-competitive tendering prevent the necessary investment in capacity growth. Using what is known about troubled Carillion projects, such as the Royal Liverpool University Hospital, it argues that not only did Carillion fail because of these tensions, but that government colludes in perpetuating them. Only government can disrupt the downward productivity cycle in which industry is trapped. In the face of the gathering skills crisis, not doing so will lead both to more corporate casualties and the domestic industry's decreasing ability to build the housing and infrastructure the country needs.

Notes

- ¹ "Size of the Prize: What the Construction Sector Deal Means to the UK". <https://www.macegroup.com/perspectives/180125-construction-productivity-the-size-of-the-prize>
- ² Stated in "Government Construction Strategy 2016-20", Infrastructure and Projects Authority, March 2016, page 3. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510354/Government_Construction_Strategy_2016-20.pdf
- ³ "NBS 2017 Survey: Government Not Enforcing BIM", BIM+, 15 May 2017. <http://www.bimplus.co.uk/news/nbs-2017-su7rvey-gover8n>
- ⁴ <https://www.bimplus.co.uk/news/nbs-2017-su7rvey-gover8n>
- ⁵ "Industry...". <http://www.bimplus.co.uk/news/nbs-2017-su7rvey-gover8n>
- ⁶ "Construction...". <http://www.bimplus.co.uk/news/nbs-2017-su7rvey-gover8n>
- ⁷ "Sector Deal...". <http://www.bimplus.co.uk/news/nbs-2017-su7rvey-gover8n>

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⁸ “CLC Statement in Response to the Liquidation of Carillion”, CLC press release, 19 January 2018.

<http://www.constructionleadershipcouncil.co.uk/news/clc-statement-in-response-to-the-liquidation-of-carillion/>

⁹ Rethinking Construction, page 28. http://constructingexcellence.org.uk/wp-content/uploads/2014/10/rethinking_construction_report.pdf

¹⁰ Stated in “Government Construction Strategy 2016–20”, Infrastructure and Projects Authority, March 2016, page 3.

¹¹ Smith, David. “Robocar versus the Pod: A Commentary on the State of Play in the Race for Autonomous Vehicle Commercialisation”, Construction Research and Innovation, Vol 8:2, April 2017: 60–65. <http://www.tandfonline.com/doi/full/10.1080/20450249.2017.1337849>

¹² Sweet, Rod. “Catching Up With the Victorians: The UK’s New Push for Infrastructure R&D”, Construction Research and Innovation, Vol 8:2, April 2017: 13–16. <http://www.tandfonline.com/doi/full/10.1080/20450249.2017.1314132>

¹³ Testimony by Philip Green given to MPs during the hearing on 6 February 2018 of the Business, Energy and Industrial Strategy and Work and Pensions Committees. Q441. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/carillion/oral/78103.pdf>

¹⁴ “Carillion’s ‘Recovery’ Business Plan Published”, Business, Energy and Industrial Strategy and Work and Pensions Committee, 6 February 2018. <https://www.parliament.uk/business/committees/committees-a-z/commons-select/work-and-pensions-committee/news-parliament-2017/carillion-recovery-plan-17-19/>

¹⁵ Testimony by Richard Howson given to MPs during the hearing on 6 February 2018 of the Business, Energy and Industrial Strategy and Work and Pensions Committees. Q445.

¹⁶ “Carillion Knew of Cracked Hospital Beams Eight Months Before Warning”, Global Construction Review, 23 February 2018. <http://www.globalconstructionreview.com/news/carillion-knew-cracked-hospital-beams-eight-months/>

¹⁷ “Carillion Investors ‘Were Fleeing for the Hills’, say irate MPs”. Global Construction Review, 19 February 2018. <http://www.globalconstructionreview.com/news/carillion-investors-were-fleeing-hills-say-irate-m/>

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