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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.

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## Notes

<sup>1</sup> "Size of the Prize: What the Construction Sector Deal Means to the UK".

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<sup>2</sup> Stated in "Government Construction Strategy 2016–20", Infrastructure and Projects Authority, March 2016, page 3.

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<http://www.bimplus.co.uk/news/nbs-2017-survey-government-not-enforcing-bim/>

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<sup>5</sup> "Industry Targets Are Not Being Measured", The Construction Index, 29 November 2017. <http://www.theconstructionindex.co.uk/news/view/industry-targets-are-not-being-measured>

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<sup>7</sup> "Sector Deal Details Delayed by Carillion's Collapse", Building, 22 January 2018. <https://www.building.co.uk/news/sector-deal-details-delayed-by-carillions-collapse/5091662.article>

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<sup>9</sup> Rethinking Construction, page 28. [http://constructingexcellence.org.uk/wp-content/uploads/2014/10/rethinking\\_construction\\_report.pdf](http://constructingexcellence.org.uk/wp-content/uploads/2014/10/rethinking_construction_report.pdf)

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

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<sup>13</sup> 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.

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<sup>14</sup> “Carillion’s ‘Recovery’ Business Plan Published”, Business, Energy and Industrial Strategy and Work and Pensions Committee, 6 February 2018.

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<sup>15</sup> 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.

<sup>16</sup> “Carillion Knew of Cracked Hospital Beams Eight Months Before Warning”, Global Construction Review, 23 February 2018.

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