

# In search of construction improvement: where did it all go wrong?

Stuart Green  
11th June 2019

# Farmer review - October 2016

- Industry synonymous with a sick, or even dying patient;
- Dysfunctional training model;
- Lack of innovation and collaboration;
- Non-existent R&D culture;
- Low productivity continues to hamper the sector;
- Critical shortage of skilled workers (Brexit);
- Flawed business model



# Edinburgh Schools – Feb 2017



# Collapse of Carillion – January 2018



# Grenfell Tower disaster – June 2017



# An alternative diagnosis...

- Focus lies on understanding how the construction sector changes over time in response to the evolving policy environment.
- Policy is directly implicated; policy reports have material consequences.
- Policy shapes expectations of what the industry is for - it also shapes what we talk about and what we ignore.
- It's a myth to suggest that the industry is resistant to change.
- The embedded practices of the present are shaped by accumulated responses to previous policy challenges.

# Five distinct phases

- 1945-1979... *the age of the planned economy.*
- 1979-1997... *the dawn of enterprise.*
- 1997-2010... *enterprise meets social democracy.*
- 2010-2016...*the new age of austerity.*
- 2016-date...*a legacy of dilemmas.*



# The age of the planned economy

- Focus on volume home building following WW II
- Nationalisation synonymous with modernisation
- Massive investment in public housing programme
- ‘Streets in the Sky’
- Tripartite social contract: demand management.
- Widespread support for direct employment
- National building strike of 1972
- Winter of discontent 1978-79



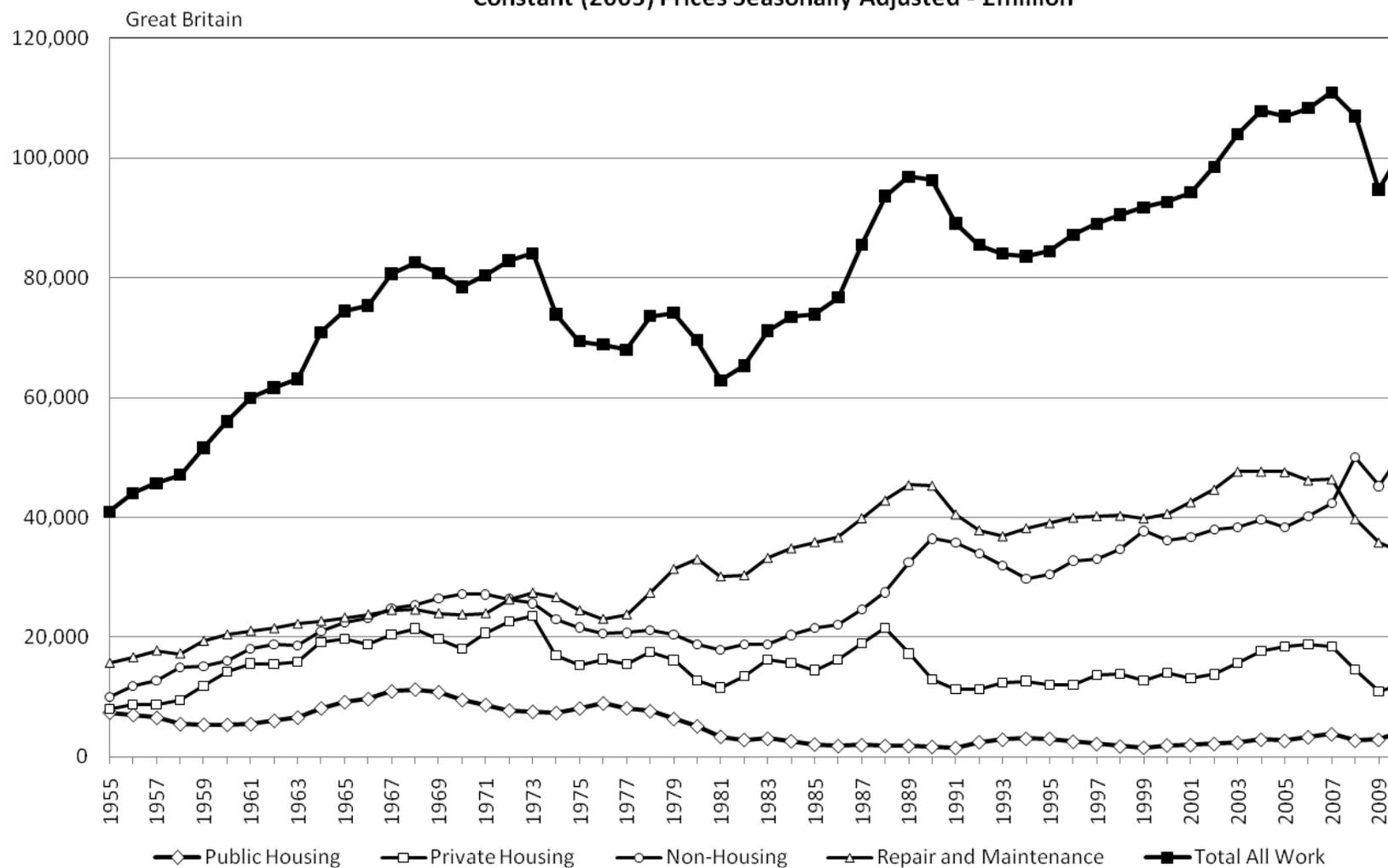
# Homes for heroes



# 1960s High Rise Housing



**All Agencies' Construction Output by Type of Work (1955-2010)**  
**Constant (2005) Prices Seasonally Adjusted - £million**



# The dawn of enterprise 1979-1997

- Liberalisation of the economy
- Extensive privatisation: British Airways, British Gas, British Leyland, British Telecom, BAA, British Rail, PSA, BRE
- Confrontation with trade unions – miners' strike 1984-5.
- Imposition of spending restrictions on LAs
- Creeping centralisation in government.
- Right to buy – 1 million homes in 10 years
- Tenant management organisations (1994)

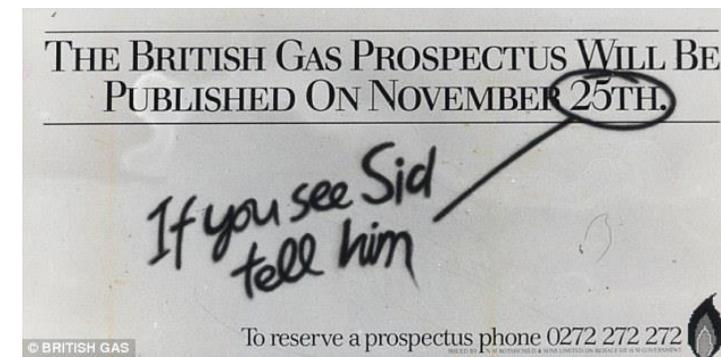


# The enterprise culture



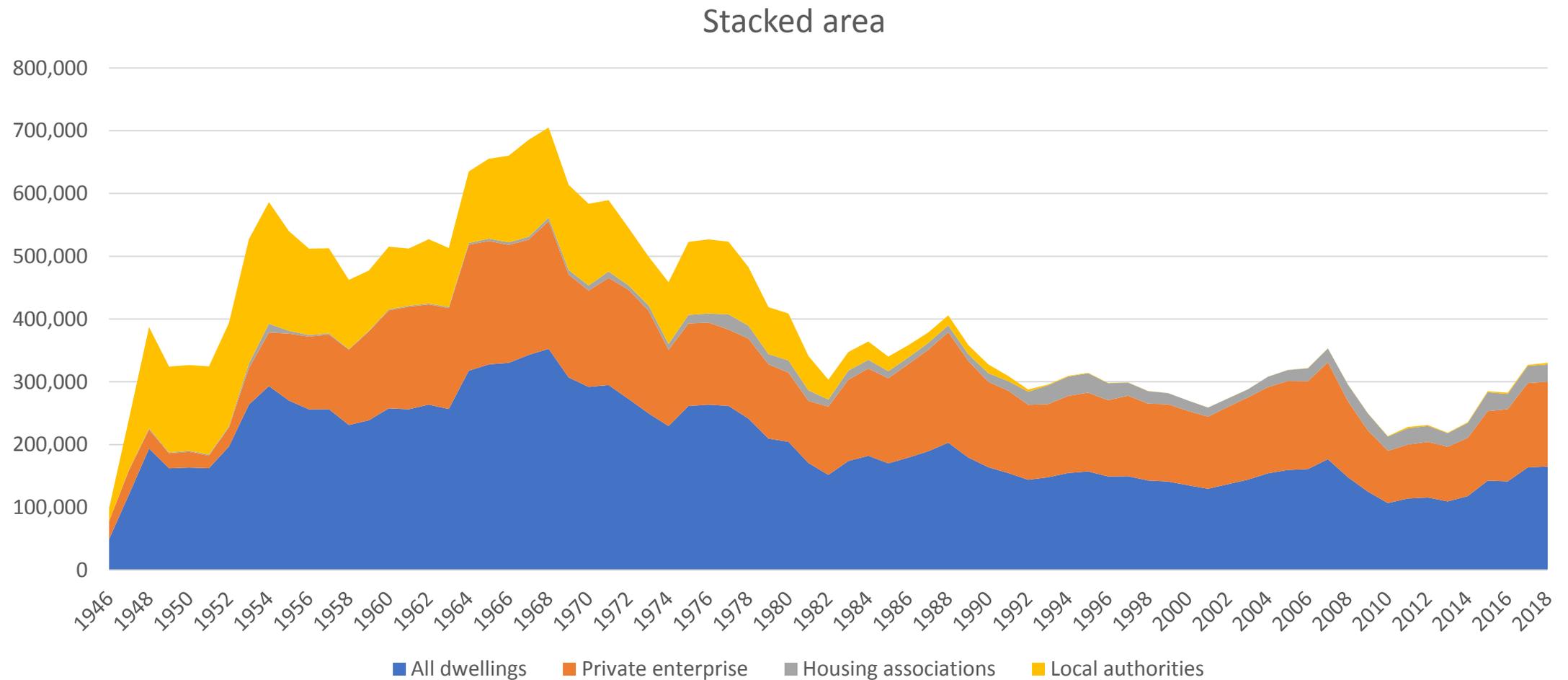
# Privatisation and outsourcing

- Extensive privatisation of client base: utility companies, British Rail, BAA, British Telecom, British Rail
- Privatisation of Property Services Agency (PSA) (1990)
- Retreat of government as a provider of mass housing.
- Shift of responsibility for existing stock to housing associations/TMOs.
- Demise of public sector Direct Labour Organisations (DLOs).
- Outsourcing strategies driven by regulatory pressures and the introduction of yardstick competition.
- Compulsory Competitive Tendering (CCT).



# Housing completions by tenure 1946-2018

(Source: MHCLG)

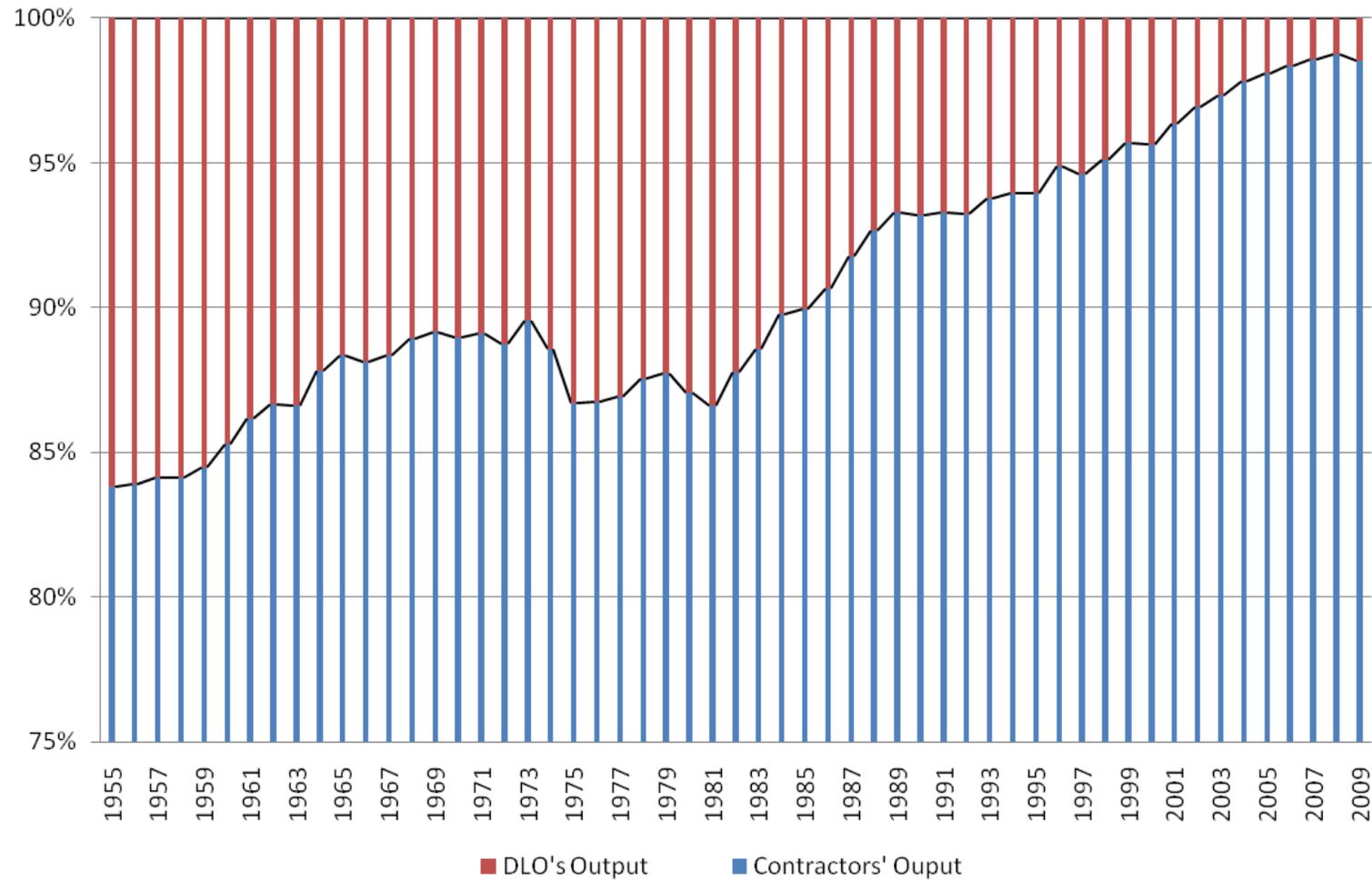


# Strategic imperative of 'structural flexibility'

- Increased systemic reliance on subcontracting.
- Emergence of the 'hollowed-out' firm.
- Growth in self-employment from 30% in mid-1970s to 50% in mid-1990s.
- Reduction in trade union membership.
- Decimation of apprenticeship system.
- Proliferation of procurement methods: design-and-build, management contracting, construction management
- Legitimising storylines: lean construction, supply chain management, partnering, collaborative working.

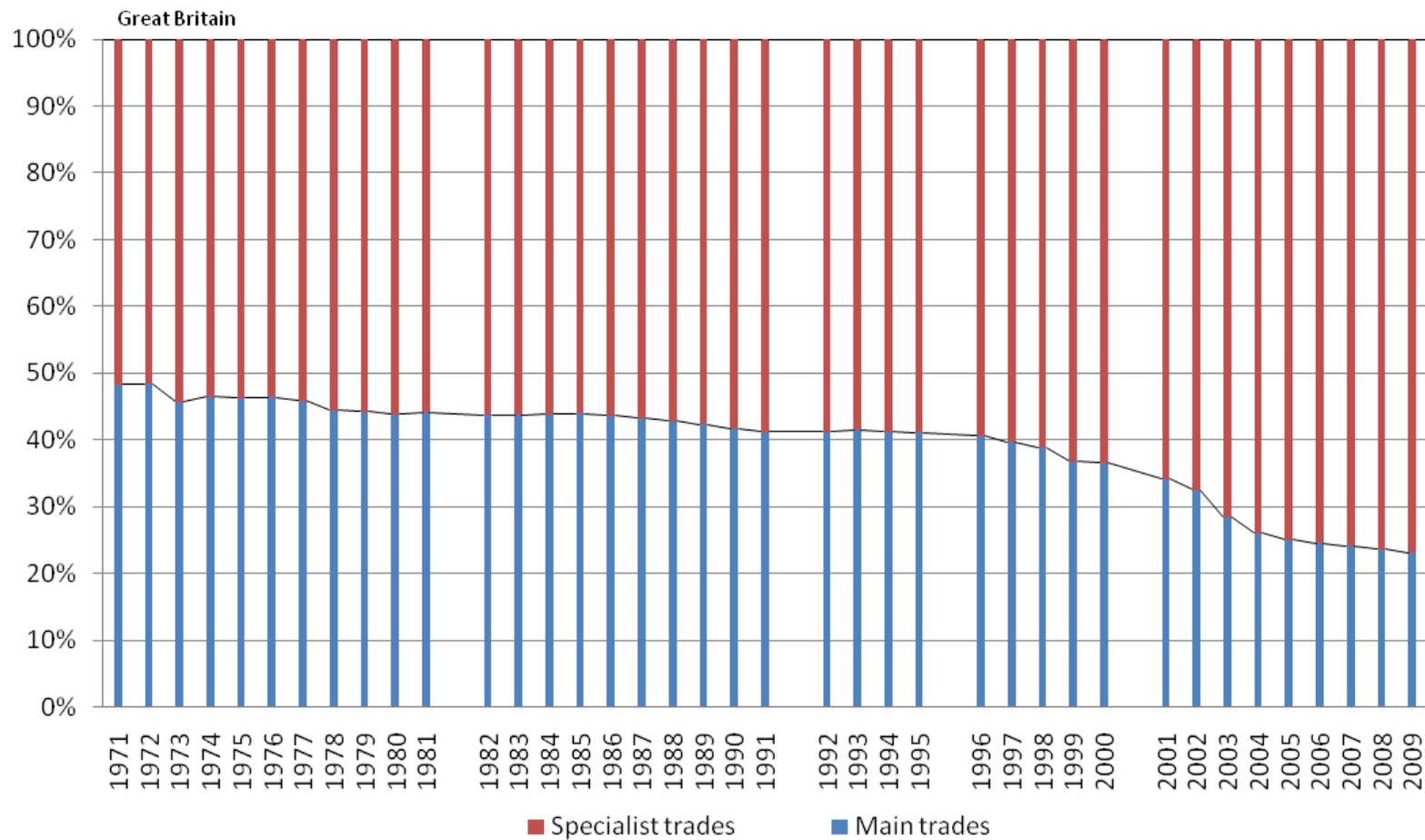


Construction Output by Private Contractors and DLO (1955-2009) - %



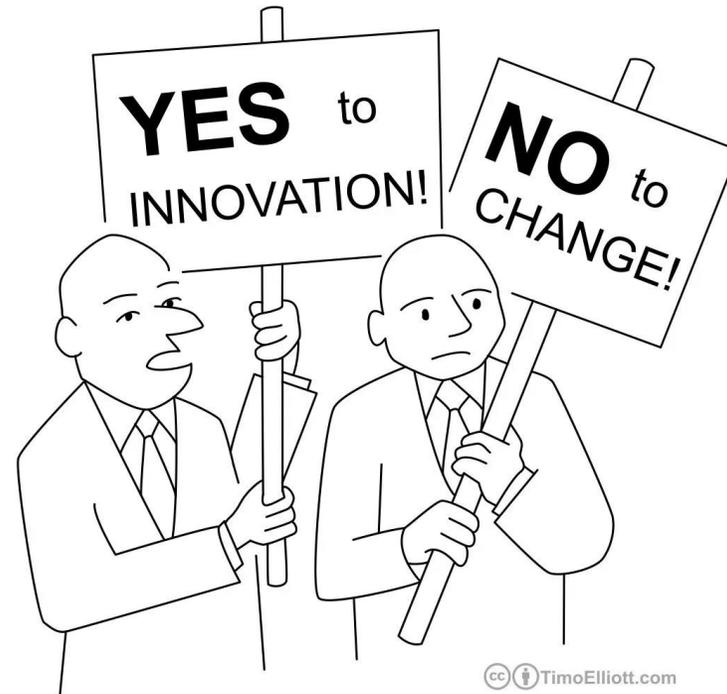
(Source: Construction Statistics Annuals)

**Private Contractors: Percentage of Firms by Trade (1971-2009)**



(Source: Construction Statistics Annuals)

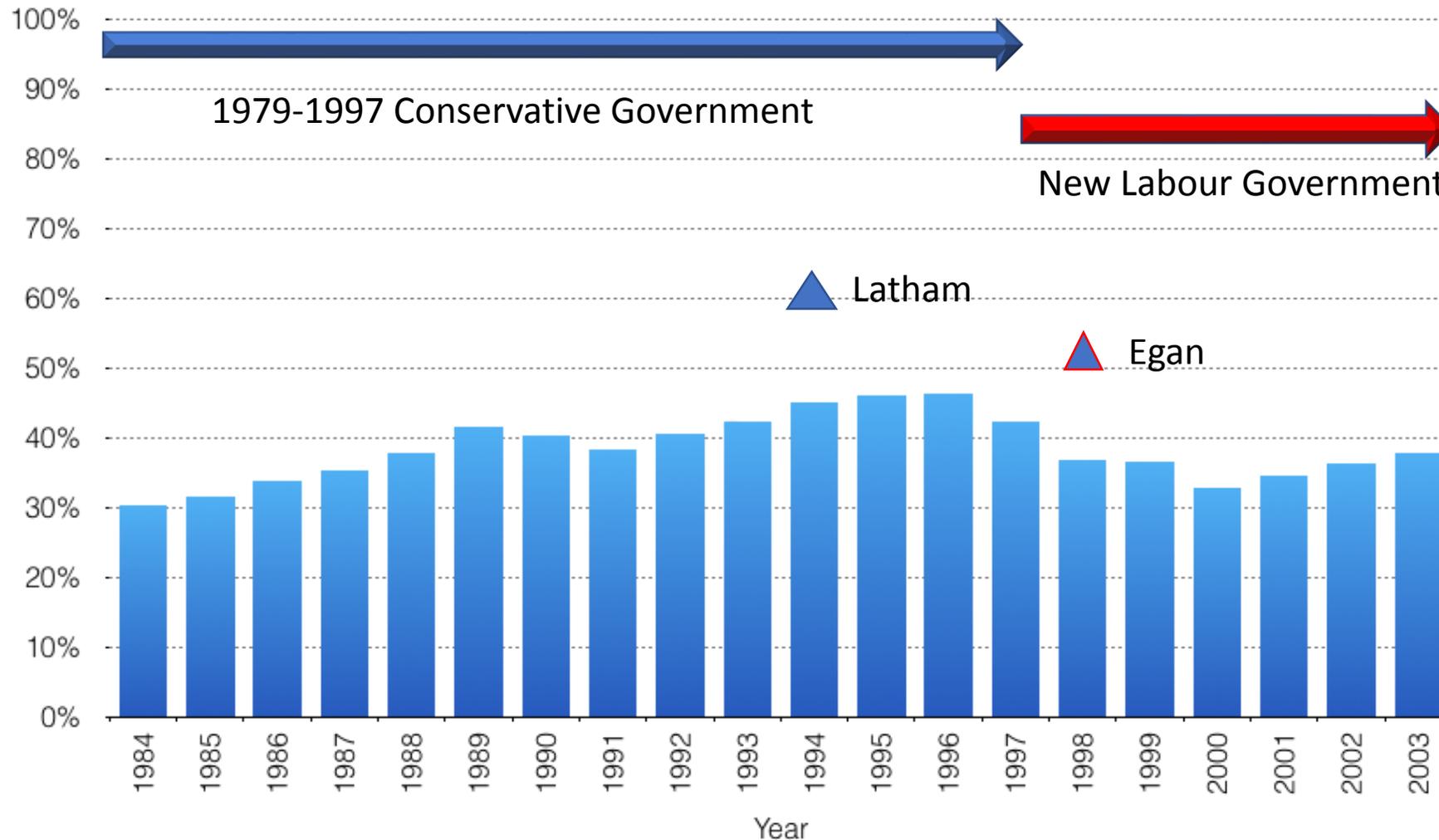
# Innovation vs change



*“We only have two demands!  
Why don't people just give us what we want?”*

# Percentage self-employment: 1984-2003

Source: Labour Force Survey

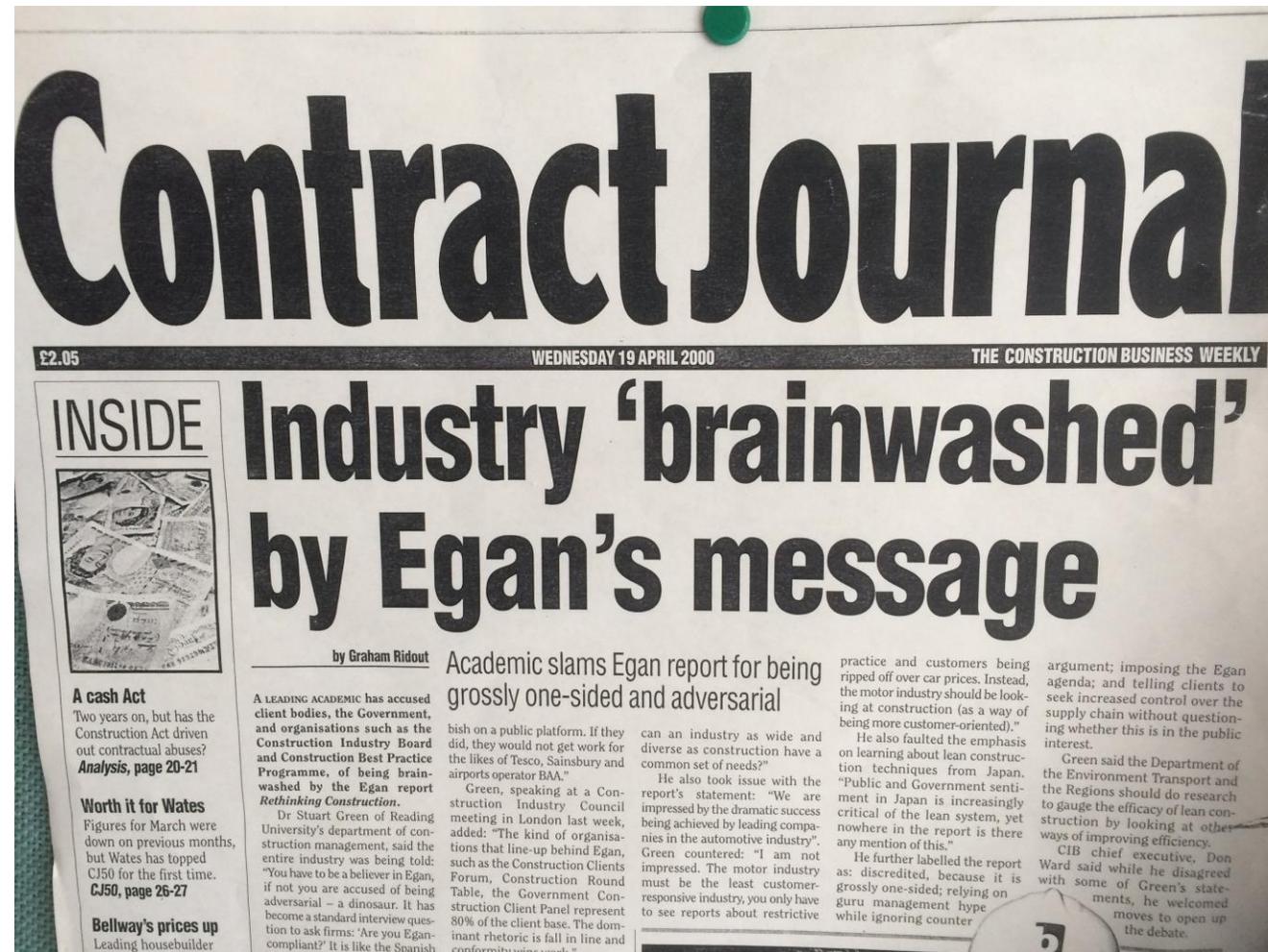


# The Egan Report

- Perennial argument that the construction sector is under-achieving.
- Recurring problems: poor quality, lack of modernisation, adversarial culture, client dissatisfaction, fragmentation.
- Overriding emphasis on efficiency
- Eliminate waste which doesn't add value from the perspective of the client
- Construction sector restructuring legitimised by the Egan Report (1998) – Year Zero.



# Dissenters few-and-far between...



**Contract Journal**

£2.05 WEDNESDAY 19 APRIL 2000 THE CONSTRUCTION BUSINESS WEEKLY

## INSIDE Industry 'brainwashed' by Egan's message

by Graham Ridout

**Academic slams Egan report for being grossly one-sided and adversarial**

A LEADING ACADEMIC has accused client bodies, the Government, and organisations such as the Construction Industry Board and Construction Best Practice Programme, of being brainwashed by the Egan report.

Dr Stuart Green of Reading University's department of construction management, said the entire industry was being told: "You have to be a believer in Egan, if not you are accused of being adversarial – a dinosaur. It has become a standard interview question to ask firms: 'Are you Egan-compliant?' It is like the Spanish

can an industry as wide and diverse as construction have a common set of needs?"

He also took issue with the report's statement: "We are impressed by the dramatic success being achieved by leading companies in the automotive industry". Green countered: "I am not impressed. The motor industry must be the least customer-responsive industry, you only have to see reports about restrictive

practice and customers being ripped off over car prices. Instead, the motor industry should be looking at construction (as a way of being more customer-oriented)."

He also faulted the emphasis on learning about lean construction techniques from Japan. "Public and Government sentiment in Japan is increasingly critical of the lean system, yet nowhere in the report is there any mention of this."

He further labelled the report as: discredited, because it is grossly one-sided; relying on guru management hype while ignoring counter

argument; imposing the Egan agenda; and telling clients to seek increased control over the supply chain without questioning whether this is in the public interest.

Green said the Department of the Environment Transport and the Regions should do research to gauge the efficacy of lean construction by looking at other ways of improving efficiency.

CIB chief executive, Don Ward said while he disagreed with some of Green's statements, he welcomed moves to open up the debate.

**A cash Act**  
Two years on, but has the Construction Act driven out contractual abuses?  
*Analysis, page 20-21*

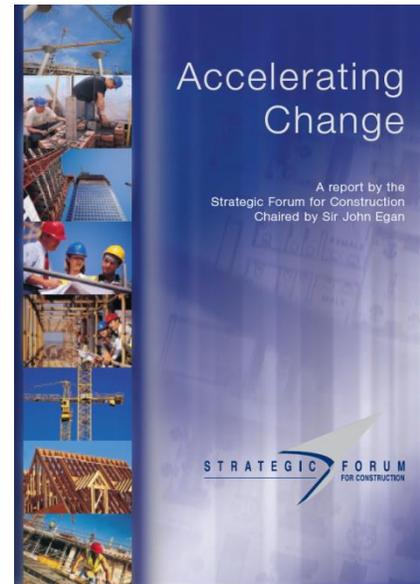
**Worth it for Wates**  
Figures for March were down on previous months, but Wates has topped CJ50 for the first time.  
*CJ50, page 26-27*

**Bellway's prices up**  
Leading housebuilder

# A cloying consensus....



1998



2002



2008



2009

# Enterprise meets social democracy



new Labour  
new Britain



PFI



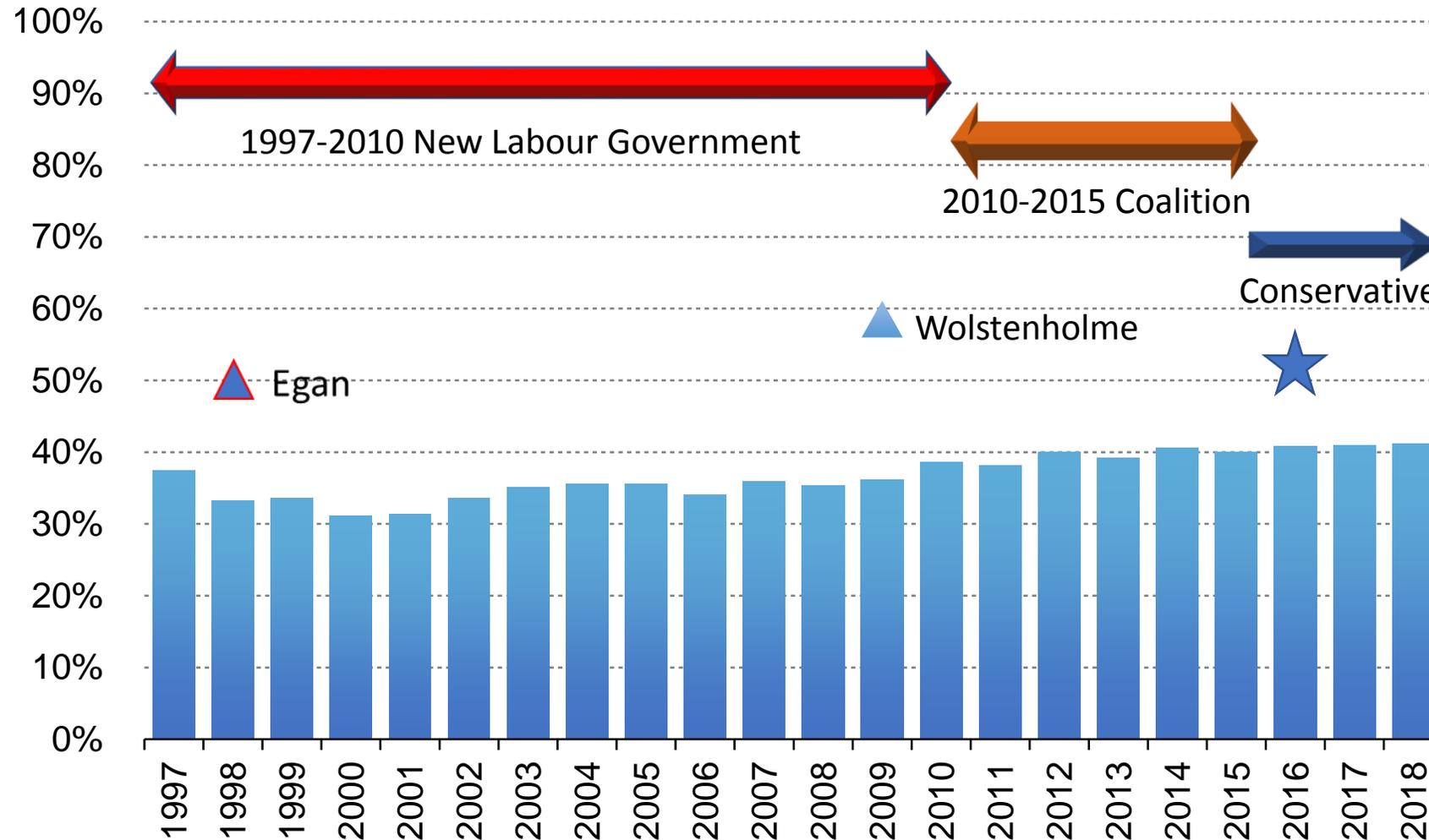
# Enterprise meets social democracy

- PFI relabelled PPP
- Schools, hospitals and prisons
- Performance management runs rampant.
- Discourse of sustainability – triple bottom line
- Proliferation of improvement initiatives
- Procurement on Best Value
- Partnerships, partnering, collaborative working
- Rapid increase in migrant workers from Eastern Europe from 2004



# Percentage self-employment: 1997-2018

Source: Labour Force Survey



# *One Death is too Many* (Donaghy, 2009)

- “The Construction Industry generally is modelled to provide maximum flexibility. Consequently the majority of functions are contracted out and at least 40% of workers are self-employed or CISs”.
- “The advantages are obvious in that it reduces overheads. Some but not all argue that it improves profitability and productivity. The disadvantages are that it become more difficult for a safety culture to flourish, worker engagement is weak, employment security and continuity is minimal and skills training is at best patchy.”



# New age of austerity 2010-2016



# New age of austerity 2010-2016

- Debate stripped back to cost reduction, carbon reduction. Two dimensions.
- Best value retreats, low cost procurement dominates.
- Leanness and agility in the marketplace.
- Partnering marginalised.
- Low carbon jobs, retrofitting the housing stock.
- PFI/PPP exposed as poor VFM.
- BIM becomes the answer to every problem.



# 24 June 2016: UK votes to leave EU



# Farmer review– October 2016

- Primarily focused on house building – also invited to examine the barriers and enablers to the greater use of off-site construction.
- Egan report is lauded as a ‘watershed’.
- Previous calls to arms have not been acted upon by the industry.
- Ticking ‘time bomb’ is the industry’s workforce size and demographic.
- “The wide-scale incidence of self-employment is a reflection of the desire for flexibility”.
- 10 key recommendations – no cherry picking.



# A legacy of dilemmas



# Cole Report (2017): Edinburgh Schools

- “The construction industry ... suffers greatly from the boom and bust syndrome, resulting in difficulty in maintaining the availability of highly skilled tradesmen because of the lack of a guaranteed continuity of work”.
- “The traditional and hugely valuable concept of building contractors employing and training tradesmen such as bricklayers and joiners through apprenticeships within their own workforce has also largely disappeared”.



# Hackett Report (2018)

- Roles and responsibilities for ensuring building work meets the requirements of the Building Regulations are unclear.
- This lack of legal accountability within the current system is exacerbated by industry fragmentation and multiple layers of sub-contracting. It is inconsistent with other contexts where ensuring delivery of 'user' safety is a fundamental issue.

## Building a Safer Future

Independent Review of Building  
Regulations and Fire Safety:  
Final Report

# Construction Quality Commission (2018)

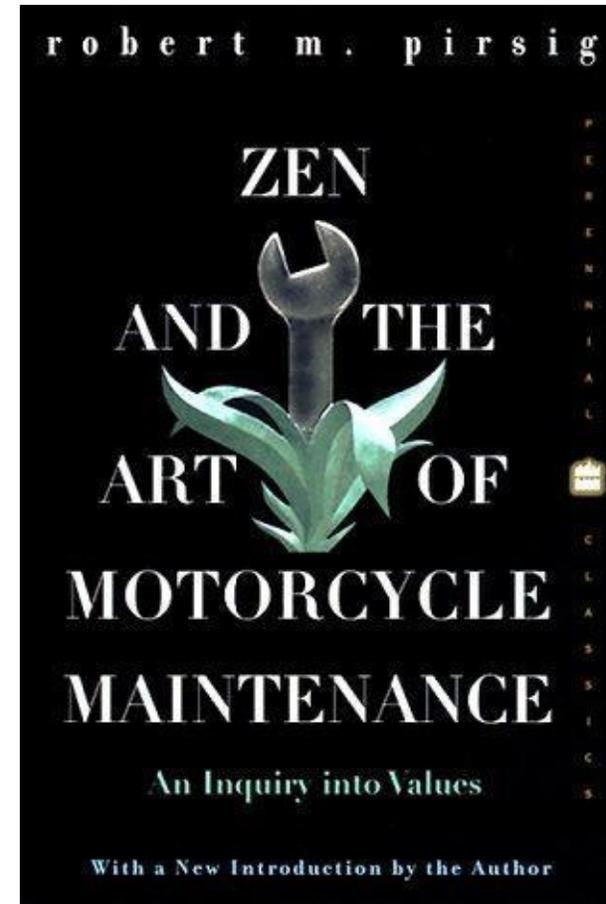
- “Quality is critical. It is about the greater public good we expect from our buildings to promote human health, safety, and wellbeing as well as addressing today’s many social, cultural, environmental and economic concerns”.
- Two broad strategies:
  - **Code of Quality Practice** – guidance on best practice.
  - **Education** – raise awareness of quality management.



# Thoughts on 'quality'

- “The place to improve the world is first in one's own heart and head and hands, and then work outward from there.”

Robert M. Pirsig



# Conclusions

- UK construction sector has undergone extensive change over last four decades, with important unintended consequences.
- Embedded logic of the ‘hollowed-out firm’ dictates mode of competition.
- Access to a ‘reserve army’ of migrant workers has disincentivised investment in technology and skills & training.
- Decades of reliance on laissez-faire market mechanisms and voluntary regulation has lead to a crisis in confidence.
- Recent policy emphasis on ‘technical fix’ in guise of MMC
- Current Brexit-induced economic and political uncertainty reinforces the logic of structural flexibility.

# No. of employees per home built

• Barratt	2.8	• Redrow	2.1
• Persimmon	3.4	• Berkeley	1.7
• Taylor Wimpey	3.0	• Galliford Try	1.9
• Bellway	3.7	• Crest Nicholson	3.4
• Bovis Homes	3.4		

Average: 2.8 employees per home built in 2016

Source: Housing Market Intelligence (2017)