

Ending Bandit Capitalism:

Learning the lessons following Carillion's collapse




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Preface



A year on from the collapse of Carillion there is little evidence the government has learnt any of the lessons it taught us.

Millions racked up in debt, tens of thousands of workers losing their jobs and pensions, and thousands of supply chain businesses at risk of collapse. This was all because the corporate auditors failed to hold Carillion's misbehaving managers to account, and the government turned a blind eye, proceeding to award contract after contract to a firm which had issued numerous profit warnings.

It was well known that Carillion engaged in dodgy corporate and employment practices even before the company toppled. They blacklisted workers who raised health and safety concerns, changed their pay policy to make it harder for executive bonuses to be repaid, imposed crippling payment terms on its suppliers and paid out dividends of over £500 million while running up a pension deficit of almost £600 million.

This kind of bandit capitalism sums up Tory Britain all too well. Their privatisation dogma is lurching our public services from crisis to crisis and their approach to corporate governance has been deliberately underwhelming. For far too long the Tories have turned a blind eye to bad corporate practices and as Carillion demonstrated, it is always the workforce that pays the price.

It has been left to Unite and other trade unions to lead the fight in the wake of this government's inaction. Offering support to a workforce unsure whether they had jobs, whether they would be paid or even whether they should continue to turn up for work.

This is an absolute disgrace in 21st century Britain.

Rest assured that the Labour party stands shoulder to shoulder with you in this fight. A Labour government would put an end to bandit capitalism and a corporate culture where the future prosperity of a company and its workforce are sacrificed all for the sake of a quick buck.

Labour understands the urgency of the situation. A Labour Government would work hand in hand with trade unions to create an economy which works for the many and not the few.

Rebecca Long-Bailey MP

Shadow secretary of state for business, energy and industrial strategy

Introduction



The collapse of Carillion sent shockwaves through the economy, upturning workers' lives and businesses across the UK. From major infrastructure projects, to school meals, roads, hospital construction projects and maintenance, the tentacles of Carillion stretched far and wide. If the government could outsource it, then Carillion would bid for it.

The firm's spiral into liquidation is a story of continual gross mismanagement and a reckless senior leadership who put short term bonuses, dividends and profits over the longer term health of the company and its workers. It is bandit capitalism writ large, where the bandits 'cooked' the books at the expense of everyone else.

But Carillion's total collapse should not have been inevitable. If sufficiently strong rules had been in place alerting regulators and the government to the company's fundamental problems then interventions could have been made.

Even if the company was no longer considered a going concern, far earlier interventions could have resulted in a managed break-up of the company, saving jobs, preserving pensions and protecting sub-contractors. Instead, the warning signs were ignored up until the last minute resulting in the taxpayer being forced to step in and spend millions to lessen the carnage.

Following the implosion of Carillion Unite played a critical role in ensuring the formation of a government taskforce and that action was taken by ministers to give support and breathing space to companies in Carillion's supply chain.

In the aftermath Unite has also led the way in the legal fight for justice for our members, who for no fault of their own were ensnared in the Carillion's collapse.

To date none of those in charge of Carillion have been held to account despite the firm's actions being likened to a 'Ponzi scheme', while the government has breezily carried on with a failed and broken outsourcing model, crossing its fingers, hoping there will be no more Carillions.

It is a vain hope. Unless the lessons are learnt and the broken outsourcing model for public services scrapped, then we'll lurch from scandal to another with the bandit capitalists riding off into the sunset while workers and taxpayers continue to pick up the pieces.

This is why Unite has repeatedly called for a full a public inquiry into Carillion's demise and produced this pamphlet, which chronicles the scandal of Carillion and its cost in addition to laying out key recommendations to ensure it never happens again.

Len McCluskey,
general secretary Unite the union

1. Carillion's Collapse

At 06:40 on Monday 15 January, a shockwave hit the UK's business community when Carillion's directors were forced to place the company into compulsory liquidation.

The demise of the company had seemed inevitable since the end of December as Carillion's dire financial predicament became increasingly evident.

The total collapse of the company came as a bitter shock to the company's workforce, who while aware of the company's problems believed that it was too big fail. One Unite member based in Scotland described what happened: "I heard about it (Carillion's problems) on the television. We thought that will not happen, Carillion will not go bust. Look at the workforce they have got worldwide, surely that will not happen and then two weeks later it happened alright. We were sitting in a big snobby hotel in Aberdeen and that's when we were told."

What was unexpected was that the company was forced into liquidation rather than the more usual process of going into administration. With administration there is a possibility of parts of the company being sold off, jobs saved and creditors hopeful of receiving at least some of the money they were owed.

Once the scale of Carillion's financial mess became evident the question became less about why it had gone into liquidation and more how on earth the lights had stayed on for so long. It has subsequently been learnt that at the time of its final collapse Carillion had total liabilities of £7 billion including £2.6 billion of pension liabilities and just £29 million left in the bank. When Carillion collapsed it was the second largest construction company in the UK but had mutated far beyond a standard building firm.

Carillion had diverted its business into the murky world of outsourcing acquiring government, local authority and private sector contracts. At the time of its collapse Carillion had 450 government contracts, in sectors as diverse as health, education, local authorities, civil aviation, prisons and many more.

Carillion directly employed 19,000 workers and it was estimated that it had an additional 35,000 people working for the company via sub-contractors and supply chain. Build UK the leading representative organisation for the construction industry, has stated that at the time of its collapse Carillion's supply chain involved 30,000 companies.

£7 billion in liabilities and just £29 million left in the bank



Immediate Aftermath

Once the Official Receiver had accepted Carillion's liquidation it had the twin task of closing down the business and also keeping the public sector contracts operating until alternative arrangements could be implemented. Given that these contracts included school dinners and the provision of hospital meals alongside a plethora of other equally important services the second function was unusual for a liquidator but crucial.

There was initially panic that Carillion's demise would result in many of these services ceasing immediately. Preparing for the worst Oxfordshire county council made provision for firefighters to deliver school dinners to local schools.¹

All of Carillion's construction projects immediately came to a halt and at the time of going to press work has not yet fully restarted on two of its flagship projects the Midland Metropolitan Hospital in Sandwell West Midlands and the Royal Liverpool Hospital.

None of the major auditors and accountancy firms were prepared to directly undertake the work as they believed that Carillion had enough money left to pay their costs.²

The Official Receiver immediately recognised that the Insolvency Service did not have the resources to undertake the task ahead of them and applied to the high court to appoint "special managers" to undertake the majority of the task. By acting as a special manager it ensured that whoever undertook the work would be assured of being paid by the state.

It was believed given the scale of the work and that it had to start almost immediately that only one of the so called big four of the auditors could undertake the work. Pricewaterhouse Coopers (PwC) was appointed, as it was the company which had the fewest conflicts of interest with Carillion.

Next stages

To be fair to the government, it and the special managers did a good job in keeping Carillion's contracts running with many of Carillion's less high profile construction projects restarting work fairly quickly after new contractors were found.

Work never actually stopped on another major Carillion project the Aberdeen Western Peripheral Route (AWPR). This was a joint venture project also involving Balfour Beatty and Galliford Try and the two surviving companies were compelled to take up the slack as a result of Carillion's demise. While the project continued uninterrupted, both companies and Galliford Try in particular, have reported a hit in their profits³ due to this turn of events.

1: The Guardian Fire Service Ready to Deliver School Meals after Carillion collapse 15 January 2018

2: Joint select committee report into Carillion page 64

3: Financial Times Construction Group Galliford Try profits rebound 12 September 2018

With regards to the outsourced contracts, discussions were had with the client about a way forward, in some cases for example with Ealing council's library service a decision was made to swiftly move the contract back in house.⁴ The insourcing of these outsourced contracts was a key Unite demand.

The government took a slightly different approach on Carillion's prison maintenance contract which covered prisons across southern England. Rather than take the contract back in house directly it instead transferred the workforce to its own arms-length company Gov Facility Services Limited.⁵

Where the client couldn't or wouldn't insource the work, new providers were sought. This led to quite considerable delays and meant that thousands of workers were placed in limbo for several months, with no idea who their new employer would be and if their jobs would be saved, or what terms they would be employed on.

When it collapsed Carillion had over a 1,200 construction apprentices on its books, six per cent of the UK's entire construction apprentices. With the assistance of the Construction Industry Training Board (CITB) which administered the apprenticeships, strenuous efforts were made to find the apprentices a new employer in order to complete their apprenticeship. This included a sweetener of additional grant payments. However, despite the best intentions 341 former Carillion apprentices were made redundant at the end of July 2018.⁶

The process of making workers redundant began in late January/ early February and was not completed until early August with a total of 2,787 workers being made redundant and 13,945 jobs being transferred.⁷ The remaining workers left the business 'voluntarily'.



4: Ealing council press release Changes to Ealing Library Service 26 January 2018

5: Ministry of Justice press release Ministry of Justice launches new facilities management contract 26 January 2018

6: Personnel Today: Remaining Carillion apprentices to be made redundant 1 August 2018

7: The Insolvency Service Carillion contracts complete transfer 6 August 2018

Carillion's slide

£79 million paid in dividends in June 2017

Carillion's slide into the abyss was spectacular. Less than a year before its demise the company appeared to be healthy. Its accounts posted on 1 March 2017 painted a very healthy picture. On the back of those results it paid a record dividend of £79 million to its shareholders, the majority of which was paid on 10 June 2017.



Just one month later on 10 July Carillion announced that its contracts were worth a staggering £845 million less than stated in its accounts. This warning saw the share price collapse and Carillion was now on a slippery slope to its eventual collapse.

On 29 September a further profit warning of an additional £200 million meant that Carillion's losses in 2017 wiped out the company's previous seven years of profits.⁸ A further profit warning was issued in December 2017.

In early January 2018, Carillion was regularly meeting with the government to seek a way out of the mess it was in, including trying to defer its tax liabilities from HMRC, which was refused. In a last desperate attempt to keep trading, Carillion sent a letter to the government on 13 January making a final request for £160 million, including £10 million immediately. The government refused and two days later the company was in liquidation.

However Carillion's troubles started much earlier than 2017. It had allowed its debts to increase and reduced its cash and then undertook so-called 'aggressive accounting techniques' to cover up its problems.

For example the Royal Liverpool Hospital project was projected to make Carillion a 5.5 per cent profit, while a peer review of the project indicated a loss of 12.7 per cent, making the company's accounts £53 million weaker.⁹

Experts have savaged Carillion's accounting practices. Sir John Bourn, the former auditor general, described Carillion as acting like a "Ponzi scheme" which was constantly acquiring new contracts to offset the losses it was raking up on existing work.¹⁰

Carillion was acting like a 'Ponzi scheme'

Finance expert Frances Coppola has stated that Carillion "was effectively insolvent from 2016".

8: Joint parliamentary select committee report into Carillion, page 38

9: As above page 41

10: Dispatches: How to Lose Seven Billion Pounds 22 August 2018

Carillion had been trading while insolvent for several years

Prem Sikka, professor of accounting at Sheffield University who served as an expert on the joint select committee report into Carillion, has said Carillion “had been trading while insolvent for several years”.¹¹

Sikka is also not squeamish in his criticism, when Unite admitted that it had received legal advice to be very cautious to say that Carillion “had cooked the books”.

Sikka, who is privy to documents that are not in the public domain, said: “Carillion’s books weren’t cooked they were roasted.”¹²

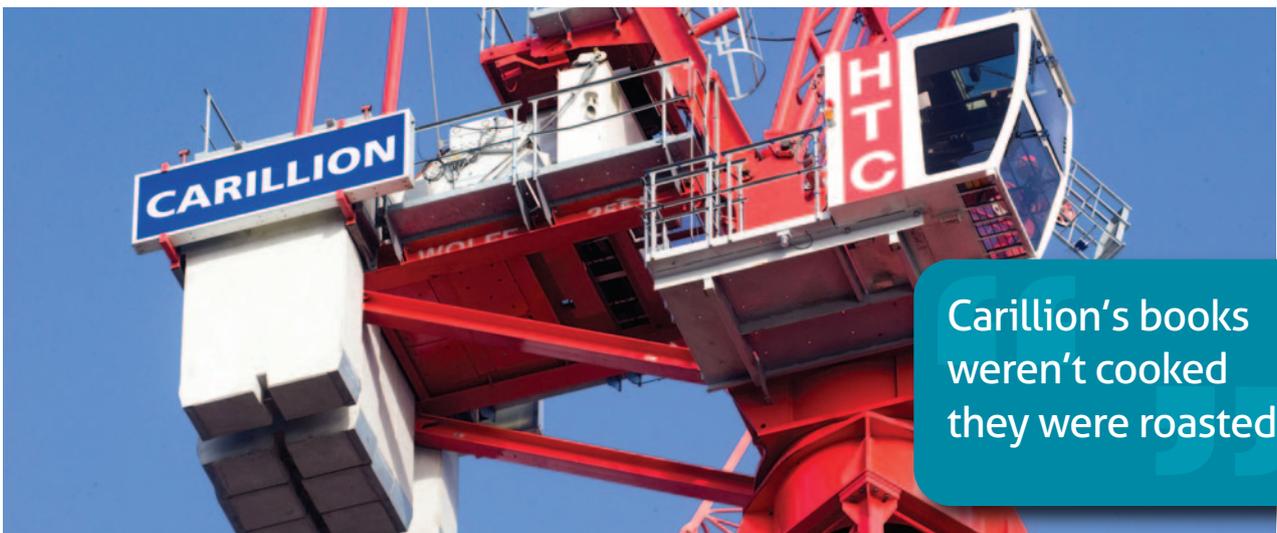
The question remains who was responsible for this mess and how was it allowed to occur under the noses of the British establishment and the regulatory system.

£845 million profit warning July 2017



Recommendation

- Given the scale of Carillion’s failure, its effect on UK business and its workforce, the role of government and the failure of regulators to act, there must be a full public inquiry into the company’s collapse.



11: Ending bandit Capitalism, no more Carillion’s Unite fringe meeting at Labour conference 25/09/2018
12: As above

2. The Directors

While there were many midwives to Carillion's collapse the prime responsibility lies with the company's directors who were responsible for running the company.

Carillion was run by a seven strong board comprising a chief executive, a finance director and five non-executive directors.

It was the board that was ultimately responsible for the so called aggressive accounting techniques which were a major factor in Carillion's collapse, not least as they had a responsibility to agree accounts that provides a true and accurate position of the company's financial position.

Accounts Issues

**Balance sheet included
£1.6 billion of 'goodwill'**

The key figure was Richard Adam who was Carillion's finance director from 2007 until he resigned at the end of 2016 and was responsible for the introduction of the aggressive accounting policies.

Following his retirement Adams did very nicely, offloading his Carillion shares just before the company's financial problems were exposed and received £776,000 between March and May 2017.¹³



There were also other serious concerns that emerged when Carillion's accounts were placed under the microscope.

Most alarmingly the directors approved that Carillion's 2016 balance sheet was propped up by £1.6 billion (35 per cent of the entire company's assets) of goodwill.¹⁴ Goodwill is an intangible asset which includes a company brand and the workforce's skills and experience. Like anything intangible once Carillion collapsed the company's goodwill disappeared.

Another accounting trick was that Carillion's accounts included considerable amounts of construction revenue that was 'trade not certified'.¹⁵ This was revenue that clients had not yet signed off and therefore there was no guarantee that Carillion would ever receive this money. In addition one of the major criticisms of Carillion was that it was a notoriously late payer to companies in its supply chain. It has a standard turnaround of 120 days payment for work undertaken.

13: Joint select committee report into Carillion page 46

14: As above page 52

15: As above page 42

Although of course with Carillion there was a twist. Companies could be paid earlier through Carillion's early repayment facility (EPF) which was provided by the banks. The twist being the company then did not receive 100 per cent of what they were owed.

Carillion chose not to fully disclose this facility in its accounts. In reality it amounted to an additional financial liability to the banks of £498 million and if accounted for normally would have substantially affected the overall health of its accounts and could have led to the company collapsing earlier. Carillion's use of its EPF has been compared to the use of a credit card.¹⁶

Remuneration Committee

Through its remuneration committee, Carillion's directors were able to line their own pockets, even when the company's debts were increasing and it was potentially trading when insolvent.

Officially Carillion undertook benchmarking exercises to place executive pay in the mid table. In reality the chief executive Richard Howson received basic pay increases of eight per cent in 2015 and nine per cent in 2016 and the chair Philip Green saw his fees increase by 10 per cent in 2016, with his salary increasing from £193,000 to £215,000.¹⁷

However the workforce was not included in these windfalls and received just a two per cent pay increase in 2016.

The remuneration committee also had the authority to award directors bonuses of up to 100 per cent of their salary.

To safeguard directors' bonuses the remuneration committee also introduced highly restrictive clawback policies which meant it was virtually impossible to force a director to pay back a bonus if major problems with the company were later identified.

Despite Carillion's share price collapsing and the company then being forced into liquidation the directors were not required to pay back their bonuses.¹⁸

Dividends

Another significant factor in Carillion's collapse was the directors' attitude to paying dividends to shareholders. Every year from the company's creation in 1999 until 2017, not only was a dividend paid but it was at an increased rate to the previous year.

In June 2017, just a month before Carillion's first profit warning, shareholders received £55 million in dividend payments.

In January at Carillion's board meeting there had been a suggestion by Zafar Khan, Richard

16: As above page 44

17: Carillion plc Annual Report and Accounts 2016

18: Joint select committee report into Carillion page 34

Adams replacement as finance director, to withhold the dividend payment to preserve cash. He was opposed by non-executive directors including, Andrew Dougal the chair of the audit committee and Keith Cochrane who later became the interim chief executive; due to the message it would send to the market.¹⁹ The dividend payment therefore went ahead.

Corporate Governance

As well as the financial responsibility a company's directors are also responsible for good record keeping and ensuring that all information is properly available.

When Carillion collapsed this certainly wasn't the case. In her evidence to the joint select committee inquiry into Carillion on 30 January 2018, Sarah Albon the chief executive of the Insolvency Service, described how her organisation's investigations were being severely hampered by "the incredibly poor standard of Carillion's record keeping", this included a lack of information about even who the various different Carillion companies directors were.

The incredibly poor standard of Carillion's record keeping

Rejected Rescue Scheme

Directors rejected a rescue plan worth £364 million which would have saved some of Carillion's pension schemes

A further example of Carillion board's disassociation with reality is their rejection of a proposed rescue package.²⁰



The board had brought in auditors Ernst and Young (EY) to provide advice to the company following the first profit warning.

In mid-December 2017 EY gave two options to the board, they could break up the firm and sell off the profitable parts, placing the rest of the company into liquidation. This would have generated £364 million that could have been used to fund several of Carillion's pension funds and avoided the need for them to go into the Pension Protection Fund.

The alternative was an involuntary liquidation with little or no money for creditors, pensioners and administrators.

The board rejected EY's advice and allowed Carillion to collapse.

19: Carillion board minutes 26 January 2017

20: Rob Davies, The Guardian Government let slip chance to retrieve £365 million from Carillion 4 March 2018

Carillion Directors - Moving On

To date no one has been charged with breaking company laws or any other criminal activity following Carillion's collapse.

The Insolvency Service did not even begin its investigation into whether any laws had been broken in the run up to or during Carillion's collapse until August 2018. No progress has been heard on the matter since.

During this time many of Carillion directors and senior managers have gone on to secure lucrative employment with other organisations, which is in sharp contrast to the fate that befell the company's sub-contractors and the company's supply chain.

In September, Unite assistant general secretary Gail Cartmail who has led for the union on the collapse called for "an immediate criminal investigation into Carillion" and "if no laws were broken, then we need better stronger laws".²¹

The fact that Carillion's directors seems to have moved on without penalty has created resentment among Carillion's former workforce. One said: "The big men that are up the ladder should be held guilty and responsible for the state of the construction industry in Scotland and England today with Carillon. They are the ones that should be brought to justice."

If no laws were broken, then we need better stronger laws

Recommendation

- There needs to be a radical reform and strengthening of the directors duties contained in Section 172 of the Companies Act 2006, requiring directors to concentrate on the long-term welfare of the company, rather than short-term profits.

21: TUC Congress Speech Monday 10 September 2018

3. Pensions

When Carillion collapsed it had 13 separate defined benefit pension schemes. All of these schemes had been closed by the company in 2009 and were operated by trustees.

The schemes had been in deficit for years and the principal role of the trustees was to try to secure funding from the Carillion board to plug the deficits in the schemes.

In 2013 a review of the scheme found that the various Carillion schemes had deficits of £439 million, and the triennial review for December 2016 was expected to identify a deficit of £990 million.

Throughout this time the trustees continued to argue for additional payments to fill the funding gap. The board continued to say that the amounts requested were unaffordable and agreed far lower sums to plug the pension gap. Carillion consistently placed executive pay increases, directors' bonuses and dividend payments ahead of closing the pension deficit.

The board largely got its way and the amount paid on a yearly basis was always far less than the trustees had sought. Not surprising as Robin Ellison chair of the pension trustees has stated that Richard Adam viewed funding pension schemes as a "waste of time".

Following the July 2017 profit warning, pension contributions worth £25.3 million between September 2017 and April 2018 were deferred in order to stave off insolvency.

Pension Protection Fund

Following Carillion's collapse all but two of the firm's pension schemes were due to enter the Pension Protection Fund (PPF) – the government lifeboat created by the former Labour government to rescue workers' pensions when companies collapsed. Carillion's collapse will put an additional strain of £800 million onto the scheme, making it the largest ever hit on its resources, although it still remains fully funded.

While protected to an extent Carillion pensioners will still suffer. Workers who had already retired will still continue to receive their full pension, but future increases will be lower than what they would have expected.

For workers who had not reached the scheme retirement age, only 90 per cent of the value of their pension will be preserved and then future increases capped.

For some workers it could mean that they are over £100,000 worse off in retirement than if the scheme had remained solvent.²²

**£800 million cost to
Pension Protection Fund**



22: Wikipedia: Pension Protection Fund

Outsourced contracts

While a great deal of focus has been on Carillion's defined benefit pension schemes less attention has been paid to the Carillion staff on its outsourced contracts. If the staff had been involved in a Transfer of Undertaking Protection of Employment (TUPE) transfer, then it is likely that they will have continued to belong to the relevant former public sector pension scheme (NHS, local government, civil service, etc).

Following Carillion's collapse there was initially a great deal of concern if workers' final contributions had been paid into the relevant fund. While this matter has largely been cleared up, the fact that workers were denied employment protections due to the nature of Carillion's collapse, whether the private companies who have taken on the contracts have honoured and will continue to honour these arrangements is debatable.

Also as TUPE did not apply after Carillion's collapse, there is a distinct danger that the outsourced contract workforce would have little leverage if a new private sector contractor decided not to honour existing arrangements.

Recommendations

- The powers of the pension regulator must be increased and there must be an onus on the regulator to use the powers it already possesses when requested to do so by pension trustees.
- New rules are needed which result in making it impossible for companies to prioritise executive pay, dividends and bonuses over making pension deficit recovery payments.

4. Government Involvement

The government's involvement prior to, during and following Carillion's collapse was a mixed bag.

Contracts

£2 billion in government contracts awarded after profit warning



Following Carillion's initial profit warning in July 2017 the government continued to award the company contracts worth over £2 billion. This included the department of transport awarding it a massive contract to build the new High Speed 2 (HS2) rail line and a further £200 million contract for the electrification of the London to Corby train line as late as 6 November 2017,²³ by which time Carillion was in desperate trouble.

The government justified the awarding of these contracts as they were all joint venture deals, and citing that even if Carillion collapsed the contracts would continue with the remaining contractor(s) picking up the slack.

However what this policy failed to take account of was that by awarding Carillion contracts the government appeared to be giving the firm a vote of confidence and that it 'remained a going concern'.

This in turn gave sub-contractors and Carillion's supply chain the impression that it was ok to continue trading with the company. An impression which resulted in many of them going to the wall, as they will never recoup any of the money owed to them by Carillion.

A further example of how the government abdicated responsibility for the major hospital projects and did not undertake appropriate oversight was revealed in October 2018, when it was discovered that in 2014/15 the then health secretary Jeremy Hunt successively lobbied to have the Midland Metropolitan Hospital and the Royal Liverpool Hospital removed from the oversight of the independent watchdog the Major Projects Authority. Hunt argued that as the work was being managed by the individual hospital trusts it was not the government's responsibility and so did not fall under the MPA's remit.²⁴

If the MPA had been allowed to monitor the projects then the problems associated with both projects and especially the Royal Liverpool may well have been recognised earlier and the eventual cost to the taxpayer reduced.

23: Transport Network Carillion scoops £200 million 6 November 2017

24: Building Magazine Health department removed Carillion hospital jobs from watchdog remit, 19 October 2018

Prior to Carillion's collapse

Following the initial profit warning in July 2017 and bearing in mind the sheer number of government contracts Carillion operated it is surprising that there were no meetings between ministers and Carillion between July and September 2017.²⁵ During this time the government awarded Carillion the HS2 contract and the Defence Infrastructure Organisation gave the company two contracts worth £158 million.

The government was also negligent as there was no crown representative for Carillion, who manage the relationship between the government and strategic suppliers, in place between August–November 2017.

If a crown representative had been in place, the government may have been better informed and had a deeper understanding of the true scale of the financial challenges that Carillion was facing, and action could have been taken prior to the company's collapse.

Following Carillion's collapse

By swiftly appointing special managers the government was able to maintain the vital public services that Carillion had been responsible for.

The government, at the suggestion of Unite supported by the TUC, also set up a taskforce to mitigate against the aftershocks of Carillion's liquidation and especially the effect that it had on the workforce and small and medium sized firms. Trade unions were represented on the taskforce by the TUC. The taskforce was quickly formed and had its first meeting on 18 January 2018 three days after Carillion's collapse.²⁶

The day before the taskforce meeting for the first time and as a result of lobbying from Unite, business secretary Greg Clark MP, persuaded three major banks to set up funds to help small companies that had been affected by Carillion's collapse. Lloyds Banking Group provided a £50 million fund, HSBC £100 million and RBS £75 million.²⁷ Unite was highly mindful that the affected SMEs (small and medium sized enterprises) needed breathing space.

The government also ensured that HMRC provided practical assistance to affected companies.²⁸ The support included:

- Instalment arrangements if unable to pay tax on time following Carillion's collapse
- Suspend any debt collection proceedings
- Review penalties for missing statutory deadlines
- Reduce any payments on account
- Agree to defer payments due to short-term cash flow difficulties.

25: Financial Times No Government minister met Carillion in wake of profit alert 18 January 2018

26: Department of Business press release: Business secretary chairs taskforce to support small businesses and workers, 16 January 2018

27: Department of Business press release: Business secretary welcomes action by banks to support small businesses affected by Carillion, 17 January 2018

28: HMRC press release: Practical support for businesses affected by Carillion, 17 January 2018

Despite the government's attempts to help ensure that construction companies affected by Carillion's collapse would not be forced to the wall, that support was only temporary. Now there is a distinct squeeze on credit to construction firms, as banks have become increasingly nervous of lending to construction companies.

Figures released by the Bank of England in October revealed that lending from banks to sectors including house building, commercial construction and civil engineering has recorded the longest period of decline since 2011, with contractors believing the squeeze began soon after Carillion's collapse.²⁹

Recommendations

- The government must reassess its policy of awarding contracts to private companies in financial difficulties with an awareness of how its actions provide false confidence in a company's viability to its supply chain.
- The crown representative system is not fit for purpose. There needs to be a review into an effective system of liaising between the government and its suppliers.
- If a major company does collapse then support for sub-contractors and its supply chain must continue for the medium and long-term and not simply consist of short-term fixes.



29: Construction Enquirer: Banks cut lending to construction firms 16 October 2018

5. Role of Auditors

The role of auditors in the collapse of Carillion is essential in understanding how the company was allowed to get into the financial mess it found itself in.

Auditors essentially review accounts and ensure they are correct. If the auditor is unhappy with the accuracy of the accounts they are required to issue a modified opinion and explain what areas of the accounts they are unhappy with.

There is a small monopoly of auditors who undertake work for large companies they are Deloitte, Ernst and Young, KPMG and PwC. All of the so-called 'big four' had a relationship with Carillion.³⁰ The primary relationship was with KPMG who were Carillion's external auditors for 19 years, the lifetime of the company.

Deloitte acted as the company's internal auditors and also provided advice to many parts of the company including the remuneration committee.

EY were brought in following the July profit warning to undertake "Project Ray" which was designed to transform the business, by cutting costs and staff. EY were paid over £10 million for this work, without any noticeable successes prior to Carillion's collapse.

The final member of the big four, PwC, had a more limited role as they acted for Carillion's pension trustees.

The primary focus of concern is with KPMG who continuously signed off Carillion's accounts, despite it now being clear that the figures being presented could not be correct, while also waving through the 'goodwill aspect' of the company's balance sheet.

The role of the big four in acting as auditors, accountants and management consultants is a further concern. There is a growing belief that the basic and crucial role of auditing accounts is considered less important than acquiring highly lucrative management consultant work. There is clearly a feeling that if a company was overly tough in the auditing process, then the over lucrative contracts will be less forthcoming.

Following intense pressure on the company, due to perceived conflicts of interest, KPMG announced in November that it would no longer provide non-auditing services (management consultancy and accounting services) for companies in the FTSE 350, whose finances they have audited.³¹

Ernst and Young were paid £10 million for Carillion's rescue plan



³⁰: Joint select committee report into Carillion pages 51-55

³¹: The Guardian KPMG to drop non audit services for FTSE350 services, 9 November 2018

Checks and balances

The Financial Reporting Council (FRC) is the regulator of accountants, auditors and actuaries. It has responsibility for ensuring high standards of financial reporting and auditing.

In 2015 the FRC raised issues about 12 areas of Carillion's accounts including the matter of accounting for 'goodwill'. Carillion answered these concerns in subsequent accounts. Crucially however the FRC failed to review Carillion's 2016 accounts.³²

In a classic case of slamming the stable doors after the horse has bolted, a fortnight after Carillion's collapse the FRC announced an inquiry into Carillion's audits in 2014, 2015 and 2016.³³

In March 2018 the FRC announced a further investigation into the conduct of Richard Adam and his successor Zafar Khan into the preparation of Carillion's financial statement from 2014 until the first six months of 2017.³⁴

However, there has been no further action or information, despite a brief update at the end of May 2018 when the FRC stated that its investigations into Carillion were ongoing. It is unclear when or if the FRC will ever make a report and if it does what action (if any) will be taken.

Experts such as Professor Prem Sikka have little faith in the FRC and the entire regulatory system being capable of punishing the guilty or stopping future problems of bandit capitalism. He points out that unlike other European countries the UK does not have a central enforcer of company law. In fact he points out that the financial sector has 40 regulators "all timid, poorly controlled, and ineffective". The accounting and auditing sector has six regulators.³⁵

The financial sector has 40 regulators all timid, poorly controlled, and ineffective

In November it was announced that Stephen Hadrill the head of the FRC was stepping down amid speculation that the regulator could be abolished and merged into the Financial Conduct Authority.³⁶

Special Manager

As previously noted when Carillion collapsed it was necessary to appoint a 'special manager' to break up the company, while ensuring its outsourced contracts continued to operate and new providers were found.

It was agreed that PwC, the only one of the 'big four' who had the fewest conflicts of interest, should act as special managers.

32: Joint select committee report into Carillion page 60

33: Financial Reporting Council Investigation into Carillion's accounts 29 January 2018

34: Financial Reporting Council Investigation into the preparation and approval of financial statements of Carillion 19 March 2018

35: Ending bandit Capitalism, no more Carillion's Unite fringe meeting at Labour conference 25/09/2018

36: The Guardian Head of UK accounting watchdog to quit 3 November 2018

While there has been little criticism of PwC's actions, there has been a great deal of concern about the level of fees they were able to charge. PwC wrote to the joint select committee chairs in late March about their fees, and the letter was made public in August.³⁷

PwC billed £20.4 million for its first two months work and it was expected that when its work was completed the bill would be in excess of £50 million. PwC's costs are far in excess of the money remaining in Carillion's accounts, meaning the taxpayer will pay a major chunk of these costs and confirming that other creditors will receive nothing.

On average PwC charged £356 an hour per person for its services with some 'pension specialists' being paid £1,156 an hour.

Following the revelations Unite described the fees as "excessive" and called for action to be taken to cap the fees that can be charged by 'special managers' in similar situations in the future.

PwC special manager bill estimated at £50 million



Recommendations

- The big four accountants need to be broken up with auditing functions being spun off into separate specific companies.
- The creation of additional rules to ensure that auditors have a duty of care to employees (rather than the current situation of only having a duty of care to the company, which is legally a separate distinct entity).
- The regulatory system for the entire financial sector needs radical reform. The number of regulators needs to be reduced and their roles clarified. Equally they must be given real legal teeth and enforcement powers in order to ensure they can intervene before companies collapse. If companies do collapse the regulator must have the ability to undertake quick inquiries to identify if laws and regulations had been broken or manipulated. The belated launching of never completed inquiries must be eradicated.
- Strict rules need to be brought in to cap how much individuals appointed by special managers can charge for work undertaken following a company's collapse. In order to prevent the perception that special managers have free reign to feast on a company's carcass with the taxpayer picking up the bill.

37: Letter from PwC to joint chairs of select committee inquiry into Carillion

6. Outsourcing

Carillion had become far more than simply a multi-national construction company. When it collapsed it was operating 430 outsourced contracts in the UK. Like most construction companies it barely employed any actual construction workers, the vast majority of its 19,000 employees were employed on these outsourced contracts.

Carillion's approach to bidding for these contracts underlines the inherent problem with successive government's mania for outsourcing. The company which provides the lowest bid is awarded the contract, creating a race to the bottom where all the quality is cut from a contract with the wages of staff and their conditions being seen as a prime area to chop.

In many cases the low bid is a deliberate gamble as the company hopes to make healthy profits from additional services required by the client outside of the contract.

This was certainly the case on some if not all of Carillion's contracts. One of its largest outsourced contracts was to undertake prison maintenance work on all prisons in the south of England. Following Carillion's collapse the Ministry of Justice revealed that the Carillion maintenance contract which cost £50 million a year was £15 million below what the Ministry of Justice estimated the work would cost. Despite this the then Secretary of State Chris Grayling did not see a problem and approved Carillion's suicidal bid. Following Carillion's collapse the Ministry of Justice now has to find the additional £15 million just to keep the service functioning.³⁸

Concerns about the quality of services provided by Carillion to local authorities have also arisen. In 2012 Oxfordshire entered into a contract with Carillion worth £123 million covering 602 separate projects valued between £5,000 and £10 million. The services provided included building maintenance, cleaning and the provision of school meals.

The contract was cancelled in 2017 and services have been transferred back in house. When Carillion collapsed, work on 17 schools in the county remained unfinished.

A survey of Carillion's work which cost the cash strapped council £1.7 million found a huge list of problems with the company's work including missing: contract certification, health and safety manuals, operational maintenance manuals and building schools certification. The audit also found unsatisfactory fire strategies and unfulfilled planning conditions. It is not yet known how much the remedial work to resolve these issues will cost.³⁹

Government lessons

When Carillion collapsed the government was faced with the prospect of hospitals being left dirty, school children being unfed, prisons not functioning and the armed forces being locked out of their accommodation. By the skin of its teeth the government managed to keep the contracts functioning, but it seems to have learnt nothing from the debacle.

39: Independent Chris Grayling face fresh pressure for prison maintenance contract 26 June 2018
39: Construction News, Council uncovers major Carillion failings on £123m deal 9 November 2018

This is in contrast to many local authorities who also had Carillion contracts and moved swiftly to take services back in house in addition to looking to bring other contracts back in house as contracts terminate or key targets are missed.

In late June the Cabinet Officer Minister David Lidington announced that in the light of Carillion's collapse the Social Value Act would be amended to require all central government contracts to "explicitly evaluate social value where appropriate." However, there is little confidence that this measure will tackle the cut throat bidding culture that currently exists.

In a further example of tinkering around the edges in November Lidington admitted that when Carillion collapsed the government lacked "key organisational information." To counter this the government is to require outsourcers to provide a 'living will' to set out how someone else should step in and run the contract, if that company had collapsed.⁴⁰ Frankly, if a company drives itself into the floor, these 'living wills' are going to lack credibility.

The business as usual approach to outsourcing was further underlined in November when the government published its response to the Public Administration and Constitutional Affairs Committee report: After Carillion: Public sector outsourcing and contracting. The government rejected the moderate changes suggested to its approach to outsourcing. Stating that in the last three years, outsourcing produced "average projected savings of 19.9 per cent between the base case and projected whole life cost" and "the government is considering options to provide further analysis on the benefits of outsourcing".⁴¹

MoD Firefighters Contract

Capita lost £513 million and still won government contracts

The government's 'business as usual' approach to outsourcing is demonstrated by its approach to the proposed privatisation of the Ministry of Defence firefighters and rescue workers.

Quite why anyone would think it a good idea to privatise this work remains to be seen. This is a group of workers who are responsible for ensuring the safety of the UK's military bases at home and abroad including airfields, submarine bases and ammunition and munition facilities. They are also required to protect military equipment in war zones.

In January, weeks after Carillion's collapse, Capita was forced to issue a profits warning. Capita's share price fell by 40 per cent and it was forced to borrow £700 million after racking up losses of £513 million.



40: Civil Service World Government lacked key information following Carillion collapse, 19 November 2018

41: Government response to the Public Administration and Constitutional Affairs Committee report After Carillion: Public sector outsourcing and contracting, page 3

Despite its financial problems Capita was awarded the 12 year MoD contract on 18 June 2018. However that was not the end of the story. A day later the Financial Times revealed that the Ministry of Defence had awarded the contract to Capita despite the department scoring the company 10 out of 10 for risk and recording a financial score of 3 out of 100. Any score less than 25 is considered to be a 'red warning'.⁴²

Serco the other bidder fared little better being considered an 8 out of 10 risk. Despite Capita being awarded the contract, work has not yet transferred as Serco is formally challenging the awarding of the contract.

Recommendations

- The whole outsourcing culture needs to end, with contracts being taken back in house at the earliest opportunity.
- The unsustainable culture of the lowest bidder being awarded public sector contracts must end.
- Companies bidding for government contracts must demonstrate they are financially robust, or be barred from bidding for new work.
- Any state contracts for goods and services with the private sector should have clearly stipulated rules on service quality, as well as staff terms and conditions, the payment of full UK tax and other social and environmental concerns.
- A new culture in the public sector is required, where the quality of service is the prime consideration and where the skill and dedication of staff is recognised, rather than being derided and considered an unnecessary distraction from the arch motive of making profits.

42: Financial Times MoD awards Capita contract despite highest risk warning 19 June 2018

7. Construction Projects

The unfinished hospitals in Sandwell (West Midlands) and Liverpool stand as eerie monuments to Carillion's collapse.

At the time of writing work had not yet restarted on either the Midland Metropolitan Hospital or the Royal Liverpool Hospital.

Both projects will be years late in becoming operational and will cost tens of millions of pounds extra to complete.

PFI

Both hospitals were funded through the Private Finance Initiative (PFI) - an increasingly unpopular and controversial way to fund public sector projects, due to the excessive profits banks and financiers make out of these projects over the lifetime of the buildings.

However, Carillion's collapse has had an unintended consequence on both hospitals. Following the company's collapse it has proved impossible to continue the projects under a PFI arrangement. In short, the financiers took fright and decided the projected profits were not going to be as lucrative as they thought.

As a consequence the government has had to agree to fund these projects directly. The government then went even further in the 2018 budget at the end of October by announcing that it was abandoning PFI for all future projects.⁴³

Royal Liverpool Hospital

£100 million estimated cost of correcting Carillion's faults



The Royal Liverpool Hospital underlines everything that was wrong with Carillion's construction projects.

The project was always in trouble and rather than admit the project was going to lose money, Carillion's management created the impression that it was going to make a profit.

When Carillion collapsed, the hospital was well behind schedule and officially 85 per cent complete.

43: The Guardian Hammond abolishes PFI contracts 29 October 2018

Carillion's position began to crumble, as did the new hospital when it was revealed that there were cracks in the building's main concrete beams. Again Carillion tried to play down the significance of these cracks but the chief executive of the hospital company (established to oversee the work) told the joint select committee that cracks in five of the eight beams were so severe that they could have failed when the hospital became fully operational. Failure to remedy the defects could have resulted in "at best unsafe working conditions and at worst injury and loss of life".⁴⁵

Failure to remedy the defects could have resulted in 'at best unsafe working conditions and at worst injury and loss of life'⁴⁴

In autumn 2018 it emerged that the cladding on the new hospital was unsafe and did not meet fire safety standards. Following the Grenfell fire, the hospital company asked Carillion directly whether the cladding was safe and was told that it had checked "with the Department of Communities and Local Government and the cladding they had used was one of the few to have passed the fire safety tests". They were "strung along".⁴⁶

The hospital trust commissioned engineering consultants Arup to undertake a full survey of all the problems on the site. While the survey is not in the public domain, the trust has not dismissed suggestions that it will cost £100 million to put the problems on the hospital right. A huge sum bearing in mind the initial contract to build the hospital was for £325 million.

Campaign for direct employment

While the campaign to ensure that the two hospital projects was successful in ensuring the projects will now be directly funded, challenges remain to ensure that when a workforce is re-engaged to complete the hospital, workers are treated fairly and decently and unions are provided with access to the workforce.

Unite is currently trying to get both local hospital trusts to require the main contractor to adopt the following policies and for all sub-contractors to be required to follow them. The policies are:

- National industrial agreements to be adopted and adhered to on the project
- All workers to be directly employed and not falsely self-employed
- Umbrella companies and other forms of exploitative employment models to be barred from the project
- The adoption of the highest levels of health and safety
- Construction unions and their representatives to be given full and fair access to the workplace.

44: Joint select committee report into Carillion page 41

45: Joint select committee report into Carillion page 41

46: Construction News Royal Liverpool boss lifts lid on Carillion mess 30 September 2018

The importance of requiring the trust(s) to sign up to these policies was highlighted in October when it was announced that Laing O'Rourke, who are infamous for their anti-union attitude, had been appointed as the main contractor on the Royal Liverpool Hospital.⁴⁷

The suggested policies also help to prevent other nefarious practices such as blacklisting. Both Carillion and Laing O'Rourke's were part of the Consulting Association blacklisting scandal.⁴⁸ Unite has secured the support of the two local mayors (Metro Mayor Steve Rotherham and Liverpool Mayor Joe Anderson), secured the support of the North West regional Labour Party and is developing a community campaign to put pressure on the trust to ensure that Unite's concerns are addressed.

Recommendations

- The problems at both the unfinished hospitals demonstrate why employment laws need to be transformed to ensure fair access to construction sites to prevent exploitation and allow unions to organise what are vulnerable and ever changing workforces.
- Urgent reform is required into the fragmented nature of construction projects where work is mainly sub-contracted and inevitably leads to poor productivity delays and poor quality work.



47: Construction Enquirer Laing O'Rourke appointed on Royal Liverpool hospital 26 October 2018

48: BBC News, Construction workers win payouts for blacklisting scandal, 9 May 2016

8. Legal Issues

The unusual nature of Carillion's collapse created a large number of legal challenges for the affected workers.

Redundancy Costs

Taxpayers will pay £65 million in Carillion redundancy payments

During Labour Party conference in September, Unite revealed that following a Freedom of Information request it had discovered that the Redundancy Payments Office had already paid £50 million in payments to former Carillion workers and that figure was set to increase to £65 million.⁴⁹



Due to the vast majority of Carillion's companies being placed into compulsory liquidation, it meant that the Transfer of Undertaking Protection of Employment (TUPE) regulations did not apply.

This meant that while over 11,000 Carillion employees (the majority of whom were undertaking work on outsourced contracts) were transferred (although legally they were re-engaged) to new employers, they still had to be made redundant first and therefore, depending on how many years' service they had would be entitled to a redundancy payment, paid by the government's Redundancy Payments Office, and therefore funded by the taxpayer.

While it is easy to initially question why workers who transferred to a new employer should be entitled to a redundancy payment, it needs to be remembered that as TUPE did not apply, the workers' terms and conditions were not protected, meaning that a new employer could increase hours and cut pay rates.

Equally as there was also no continuation of service the workers lose employment protections for two years, because the government's anti-union laws and therefore if the ex-Carillion workers' new employer chose to dismiss them they would not be protected from unfair dismissal nor would they be entitled to a redundancy payment in the first two years of service. Members also report that it was a challenge for them to get paid redundancy, with the perception that it was made easier for the directors to receive pay outs. One said: "We had to fight for our own redundancy.

If I hadn't have fought up and shouted and bawled about it we wouldn't have got it [redundancy].

49: Unite press release: Unite reveals cost of Carillion redundancies for taxpayers

“They (the directors and senior managers) were getting paid out redundancy and we had to actually fight to get it, they turned round and said we weren't entitled to it because we weren't there long enough. And if I hadn't have fought up and shouted and bawled about it we wouldn't have got it. Him at the top of the tree would have taken our redundancy and all, and bugged off with that as well.”

Failure to Consult Prior to Making Redundancies

Carillion's collapse was so swift and so terminal that it meant that the company fell foul of the rules on informing and consulting workers prior to making them redundant. The break up of the business because of ever increasing costs meant the Insolvency Service and special managers did not abide by these rules either.⁵⁰

As such it was possible for workplaces where more than 20 former Carillion employees were made redundant to take a legal claim for failure to comply with the legal obligation to carry out a collective consultation on redundancy described as a 'protected award'.

However, again due to the nature of Carillion's collapse, the complexity of taking such a case meant that in reality that unless a union, with their legal resource, took such a case it would be impossible for it to be successful.

In early July 2018 Unite announced that it had lodged the first case on behalf of workers who had been made redundant by Carillion and where there had been a failure to consult. This initially involved 27 workers who were employed by a Carillion group company called Planned Maintenance Engineering Limited at the government's listening centre GCHQ.⁵¹

As Carillion was in compulsory liquidation, Unite had to apply to the court for the claim to proceed.

To further complicate the claim, the employment tribunal judge also added the Secretary of State of Business, Energy and Industrial Strategy (BEIS) as an additional respondent. It is the department's agency the Insolvency Service via the Redundancy Payments Office, which will have to pay the workers if the claim is upheld.

Additionally, as the workers were subsequently rehired by G4S to continue to work at GCHQ, Unite had to apply to ensure that they would remain anonymous throughout the case, due to their ultra-sensitive workplace.

Unite has subsequently taken further cases on behalf of other groups of Unite workers who were made redundant following Carillion's collapse in Scotland and other English regions.

50: Gov UK: Making staff redundant

51: Unite launches legal action for ex-Carillion workers on GCHQ contacts

The claims for protected awards are further complicated because there has to be an employment tribunal judgement, before they can be paid, despite the vast majority of such claims being very straightforward when a company has gone into liquidation or administration.

The claims are then contested by the administrators, who are usually one of the big four auditors. While the administrator has little prospect of winning the employment tribunal, they can charge large fees to the collapsed company for doing so. These fees have to be paid before other creditors are entitled to any money, sucking more money out of the company's carcass. As Carillion had so little money left that it could not even afford its own winding up costs, in Carillion's case these fees will be paid by the Insolvency Service and ultimately by the taxpayer.

The way Carillion structured the company has made the legal fight for justice for Unite members even tougher.

For example although Carillion operated the prison contract across the southern half of England, the existing employees who were transferred from the Ministry of Justice were employed by one Carillion company, while new starters on different terms and conditions were employed by another subsidiary. As the different companies are legally considered to be separate employers then many workplaces legally had fewer than 20 employees.

All Unite's legal claims remain outstanding, underlining the slow moving pace of employment justice.

Recommendations

- The TUPE regulations and whether they should apply in the event of a company's compulsory liquidation needs to be reviewed.
- The rules on informing and consulting workers before making workers redundant must be reformed to prevent companies subverting them by employing workers through different subsidiaries.
- The rules on requiring an employment tribunal judgement before a protected award can be made need to be reformed to prevent the administrator further profiting from a company's collapse, by charging large fees to defend a case they have no chance of winning.
- The number of hurdles needed to be cleared before cases can be taken for workers, who through no fault of their own, were employed by a company which enters compulsory liquidation, must be reduced.





9. Conclusions

If similar Carillion style collapses are to be avoided in the future there has to be a series of concentrated political interventions, led by Parliament.

If the government is not prepared to act to make the necessary changes to laws and regulations set out in this document, then MPs need to force their hand. Without radical reforms then it will not be a question of if there will be further Carillion-style corporate collapses but when.

While the government was not ultimately responsible for Carillion's collapse, its actions from its mania for outsourcing, to the decision to remove independent oversight from the construction of the two hospital projects, created the environment within which bandit capitalism had a free reign.

Fundamentally, it needs to be remembered that the biggest losers in Carillion's collapse was its workforce, either those directly employed by the company who operated via sub-contractors or through its supply chain. Thousands of workers lost their jobs and those who maintained their employment experienced weeks if not months of extreme uncertainty whilst their employment was in limbo. Even if workers were transferred to a new employer, employment protections were lost threatening workers' pay rates and conditions, meaning that they at far greater risk of dismissal in future.

Government ministers must face up to their role and act to ensure there no more Carillions and those at the top of Carillion held to account for one of the biggest corporate failures in UK history.



10. Recommendations in full

1. Given the scale of Carillion's collapse, its effect on UK business and its workforce, the role of government and the failure of regulators to act, there must be a full public inquiry into the company's collapse.
2. There needs to be a radical reform and strengthening of the directors duties contained in Section 172 of the Companies Act 2006, requiring directors to concentrate on the long-term welfare of the company, rather than short-term profits.
3. The powers of the pension regulator must be increased and there must be an onus on the regulator to use the powers it already possesses when requested to do so by pension trustees.
4. New rules are needed which result in making it impossible for companies to prioritise executive pay, dividends and bonuses over making pension deficit recovery payments.
5. The government must reassess its policy of awarding contracts to private companies in financial difficulties with an awareness of how its actions provide false confidence in a company's viability to its supply chain.
6. The crown representative system is not fit for purpose. There needs to be a review into an effective system of liaising between the government and its suppliers.
7. If a major company does collapse then support for sub-contractors and its supply chain must continue for the medium and long-term and not simply consist of short-term fixes.
8. The big four accountants need to be broken up with auditing being spun off into separate specific companies.
9. The creation of additional rules to ensure that auditors have a duty of care to employees (rather than the current situation of only having a duty of care to the company, which is legally a separate distinct entity).
10. The regulatory system for the entire financial sector needs radical reform. The number of regulators needs to be reduced and their roles clarified. Equally they must be given real legal teeth and enforcement powers in order to ensure they can intervene before companies collapse. If companies do collapse the regulator must have the ability to undertake quick inquiries to identify if laws and regulations had been broken or manipulated. The belated launching of never completed inquiries must be eradicated.

11. Strict rules need to be brought in to cap how much individuals appointed by special managers can charge for work undertaken following a company's collapse. In order to prevent the perception that special managers have free reign to feast on a company's carcass with the taxpayer picking up the bill.
12. The whole outsourcing culture needs to end, with contracts being taken back in house at the earliest opportunity.
13. The unsustainable culture of the lowest bidder being awarded public sector contracts must end.
14. Companies bidding for government contracts must demonstrate they are financially robust, or be barred from bidding for new work.
15. Any state contracts for goods and services with the private sector should have clearly stipulated rules on service quality, as well as staff terms and conditions, the payment of full UK tax and other social and environmental concerns.
16. A new culture in the public sector is required, where the quality of service is the prime consideration and where the skill and dedication of staff is recognised, rather than being derided and considered an unnecessary distraction from the arch motive of making profits.
17. The problems at both the unfinished hospitals demonstrate why employment laws need to be transformed to ensure fair access to construction sites to prevent exploitation and allow unions to organise what are vulnerable and ever changing workforces.
18. Urgent reform is required into the fragmented nature of construction projects where work is mainly sub-contracted and inevitably leads to poor productivity delays and poor quality work.
19. The TUPE regulations and whether they should apply in the event of a company's compulsory liquidation needs to be reviewed.
20. The rules on informing and consulting workers before making workers redundant must be reformed to prevent companies subverting them by employing workers through different subsidiaries.
21. The rules on requiring an employment tribunal judgement before a protected award can be made need to be reformed to prevent the administrator further profiting from a company's collapse, by charging large fees to defend a case they have no chance of winning.
22. The number of hurdles needed to be cleared before cases can be taken for workers, who through no fault of their own, were employed by a company which enters compulsory liquidation, must be reduced.

**Ending Bandit
Capitalism:**

**Learning the
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