

UK: The political lessons of Carillion's collapse

Julie Hyland
17 January 2018

The jobs, wages and pensions of tens of thousands of workers along with vital public services are in danger, following on the collapse of Carillion into liquidation on Monday.

Carillion employed 20,000 workers in the UK and 23,000 overseas. It went into compulsory liquidation with more than £2.2 billion debts, of which an estimated £800 million are in pension liabilities.

A major government contractor, it was involved in 450 contracts—involving schools, hospitals and prisons—and key infrastructure projects, including the HS2 high-speed rail network, the largest infrastructure contract in Europe.

The Conservative government of Prime Minister Theresa May has said it will guarantee the salaries of those affected in the public sector. This is necessary to avoid an immediate collapse in key areas of social provision—including school meals and hospital services. But it is no guarantee for the future of these services, much less the jobs and conditions of those directly involved. Nor does it address the impact on workers' pensions, which are now to be taken over by the already strapped state-run Pension Protection Fund.

The situation for private sector employees—including many agency workers—is even more precarious. Carillion spent almost £1 billion with local suppliers in 2016, many of them small firms that are now facing insolvency. The government said it would only guarantee the wages of private sector workers for 48 hours, until today.

Potentially thousands of employees can be made unemployed overnight. The government says it hopes other companies will take over Carillion's contracts but—even if this happens—there is no doubt it will be at the expense of workers' existing pay and conditions.

Already there are reports of workers being turned away from construction sites in the Midlands and Liverpool. Contractors, including Speedy, Van Elle, and Balfour Beatty, report they will be left millions out of pocket,

sending their share prices tumbling.

Calls have been made for a public inquiry into Carillion's collapse, especially given that the government continued to award the firm key public sector projects—including the £1.2 billion HS2 joint venture—despite repeated profit warnings over the last six months.

The Department for Business has called for a “fast-track” investigation into the conduct of Carillion's directors, after the firm rewrote its pay policy to make it more difficult for executives to lose their bonuses in “circumstances of corporate failure.” This meant that former CEO Richard Howson, who resigned in disgrace last July, will continue to receive a £660,000 salary until October.

Demands are also being made for the Financial Reporting Council to examine Carillion's accounts, including the actions of its auditors, KPMG. Only last year, the accountancy giant, which oversaw Carillion's accounts since 1999 and received £29.4 million in fees, approved the firm's viability for at least three years.

The extent of the political fall-out was indicated by the revelation that Carillion Chairman Philip Green—who oversaw the firm's collapse—had been appointed as adviser on corporate responsibility to then Tory Prime Minister David Cameron under the previous Conservative-Liberal Democrat coalition government.

So great is the stench of corporate corruption emanating from these events that Rupert Murdoch's *Sun* newspaper editorialised, “Capitalism gets a bad name when failing executives get unjust deserts. Carillion bosses must instead be held liable.”

Likewise, the conservative *Daily Telegraph* warned that what taxpayers “will emphatically not put up with is any sign that those at the company responsible for this mess walk away enriched. There have been too many instances of failure being rewarded. It is time it stopped.”

Labour leader Jeremy Corbyn has described Carillion's collapse as a "watershed" moment and has promised that a Labour government will "end the PFI [Private Finance Initiative] rip off" and "run our public services for the benefit of the many, not the profits of the few."

Along with the trade unions, Corbyn now calls for Carillion's operations to be "nationalised" and the services it provided taken "in-house."

Those responsible must indeed be held to account. But the naming and shaming of certain individuals is intended to conceal the more fundamental question of how and why they were able to get away with their socially criminal actions.

When CEOs, accountants, regulators and governments are all implicated in such events, it is not the failure or undoubted corruption of a single corporate entity that is at issue but the workings of the capitalist profit system itself.

The practices in which Carillion was involved are not peripheral to the world capitalist economy, but at its very heart. From the collapse of Enron in the United States in 2001, and Railtrack in the UK the same year, through—most significantly—to the 2008 financial crash and the multi-trillion bailout of the world's leading financial institutions, a fundamental truth has been laid bare.

The profit-making operations of the global economy are not undertaken to meet—even in part—social needs. Rather, they are driven by the greed of a parasitic financial oligarchy and their political sponsors in government, and predicated on the destruction of the jobs, wages, services and social rights upon which billions of working people depend.

The Private Finance Initiative/Public Private Partnerships in which Carillion was so heavily involved are only one of the forms that this speculative mode of accumulation, which dominates the entire world economy, has taken in the UK.

First initiated by the Conservative government of John Major, and vastly expanded by the Blair Labour government, this involved major cuts in public spending along with the privatisation and asset-stripping of social services.

In 1999, the heavy building materials firm Tarmac was recreated as Carillion. In addition to a guaranteed government-supplied income from PFI projects—at extortionate rates of return—firms like Carillion were able to borrow heavily, inflating their profit rates that were then used to justify gargantuan payouts to its CEOs, shareholders and lenders.

The primary factor in ensuring the "success" of such firms was the political consensus across all parties on mounting an offensive against the working class through austerity, deregulation and the driving down of wages and conditions. In 2016, Carillion was among eight multinational building contractors who admitted in court that they were involved in the blacklisting of up to 800 trade union members, who had protested health and safety conditions.

With CEOs, banks and shareholders reaping massive dividends, the opening of a revolving door between the corporations and Tory and Labour governments alike, and a trade union "movement" complicit in these conditions, Carillion was held up as one of the UK's great "export" stories—until it was revealed to be completely worthless.

The wages, conditions and pensions of *all* workers impacted by Carillion's collapse must be guaranteed. But to do so means recognising that what is at stake is not merely a single business model that can be replaced by some other form, such as the nationalisation and "in-house" model now proposed by Corbyn.

The government has, at least in part, already "nationalised" Carillion—in the same way it "nationalised" the banking industry in 2008—by offloading its debts onto taxpayers. Moreover, so extensive has the privatisation of the UK's public services been that to speak of taking them "in-house" is meaningless.

What is required is breaking the stranglehold of the super-rich and their political defenders over society, and reorganising the economy to serve social need, not private greed. Politically, it involves not fruitless tinkering with the existing set-up but the recognition that it is beyond repair and that only a social revolution can provide a way forward.



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact