

Southern Cross home care crisis

Eye witness to the human cost of privatisation

A health care worker
Bristol

Southern Cross Healthcare is on the brink of collapse. This company provides residential care to 31,000 people and has 44,000 employees.

I am a former employee of Southern Cross and when I joined it in 2007 the company's financial situation was no secret. My colleagues told me that the company was in debt by £70 million.

Now, in 2011, it is reported that Southern Cross has made a £311 million loss in six months and is unable to pay the rent on 30% of the 750 care homes it runs.

The Con-Dem government has been readying more private companies to take over our public services as massive cutbacks are made. Yet as we face the loss of thousands of jobs and residential places, the reality of privatisation is clear.

Social care casino

Southern Cross's financial woes have certainly been made worse by the recent cuts to public services. Although run in the private sector, the majority of money comes from local councils that have outsourced their care services.

When councils announced planned cuts, social care budgets were hit hard with an average cut of 10% across the country. Alongside this there was a push from councils to encourage home care as a cheaper alternative, seeing 15% less admissions to care homes.

Yet the instability of the company left it at risk long before the Con-Dems started hacking at our services. Unlike council-run care homes, private care's primary aim is to make a profit.

Southern Cross was bought by Blackstone, an American private equity company in 2004. It then started buying up smaller companies and Southern Cross rapidly grew in size.

10 % average cut to care budgets

Once a smaller company was bought, Southern Cross would then 'split' the business. It would keep running the homes, however the buildings would be sold on. Southern Cross sold the buildings promising the new owners a high and rising level of rent.

Therefore it could sell the property for at least the price it initially paid. In theory it could expand without

spending any of its own money.

This worked for Blackstone, which paid £162 million for the company and sold its stake in 2007 for £770 million.

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By 2008 Southern Cross, like many companies, found itself in a different world. The economic boom was over and it was stuck in multiple 30-year rent contracts with promises to raise rent payments by 2.5% each year.

A year after Blackstone had made a £608 million profit out of Southern Cross, myself and my colleagues were told that we would be on less hours and receive less pay due to the financial situation that the company was facing.

The social care sector as a whole was in trouble, beyond Southern Cross. The care home 'business' is almost completely funded by debt. Private equity companies were buying up care homes after borrowing vast amounts of money from banks.

The idea was to quickly sell on these companies at a huge profit. However, when the financial crisis hit and banks stopped lending, many of the companies found themselves with an unsustainable amount of debt.

One company, Care Principles, was bought by an equity company in 2007 for £270 million, double what the company was actually worth, and paid for by loans from Barclays Bank.

The finance director at the time said: "There is absolutely no room for anything to go wrong." However by 2009 the instability that arose from being a company funded by debt caused it to collapse and Barclays Bank found itself running care homes.

Human cost

Workers, service users and their families are now watching the news with bated breath to see if they still have a home or job to go to.

GMB, the union that represents 12,000 Southern Cross employees, has called for the government to



Southern Cross made a £311 million loss in six months and homes may now face closure photo B Severn

The Socialist Party says:

- Immediately take all health and social care services and buildings back into the public sector with compensation only on the basis of proven need
- The government should provide the necessary extra funds to local authorities to run care homes
- Scrap Lansley's Health and Social Care Bill
- Rebuild the NHS! No to cuts – defend jobs and services while the staff that worked in the home were barely paid above minimum wage. Service users who were paying thousands of pounds a week were not getting the service they were paying for.
- For united action to defend the NHS, with organised trade union action at its centre, supported by anti-cuts campaigns and service users

step in, to 'nationalise' Southern Cross in a similar way to what happened with the banks.

However, government ministers have said that they will not get involved and the Conservatives oppose intervention, saying it is between the private companies and the council paying for the service.

Councils have a legal responsibility to house and provide care for any of the service users who they fund. However, means-tested financing requires that many elderly service users have to pay for their own care, selling their houses and using that money before they can turn to the council for help. In these situations the council has no duty to re-house them.

Over the past 20 years 100,000 beds in elderly care homes have been handed over to the private sector. Now only 10% of care for adults with learning difficulties is provided by the state.

No plans were made on what to do if these private companies were to collapse. Faced with that possibility councils are now saying they don't have the means to take on the services of a company the size of Southern Cross.

If Southern Cross was to collapse many residents could be moved to other care homes, something charity Age UK has said can be fatal to some elderly residents.

In the North East and Scotland it would be extremely difficult for service users to be moved as Southern Cross runs the majority of care homes, making finding other beds difficult.

But the cost of privatisation isn't just shown when it 'all goes wrong'.

I now work for the NHS and the level of care is astounding compared with what I saw at Southern Cross. Yet this is under threat from David Cameron's 'Big Society'.

Imagine if Southern Cross was running your local A&E, maternity department, children's home or benefit office?

Socialist alternative

I work in the care industry because I want to help people and make their lives better - not to line the pockets of a few millionaires.

The Con-Dem government wants private companies to take over public services, including the NHS. Yet when these companies collapse, it's not willing to pick up the pieces and help the people who depend on them.

The Socialist Party is fighting against privatisation. We call for fully funded, publicly owned national services that are democratically run, including by the people who use them and work in them, not torn apart by a coalition government that wasn't even elected into office!

A socialist society would see services run, not for profit, but for the benefit of all, the opposite of everything that companies like Southern Cross stand for.

The Socialist Party continues to fight against the Con-Dem government's plans and needs you to join and fight with us.

Corporate sharks who made a killing

Former Southern Cross bosses picked up £35 million by selling all their shares in the company in 2007, just before they plummeted.

The top windfall was bagged by then chief executive Phillip Scott, who netted £11.1 million and now thinks his old firm should be allowed to collapse.

"Should they [the government] be rushing to the aid of Southern Cross in RBS style? They shouldn't," Scott told the Times.

Scott believed the Southern Cross announcement of withholding 30% of rent was scaremongering, but the homes should be

given over to their landlords. And no wonder - he has money in Zest, which owns four of the homes.

Meanwhile, private equity enthusiasts paid £175 each to hear Blackstone's senior managing director, David Blitzler, speak at a London Business School meeting.

The GMB trade union organised a protest outside the 'Private Equity: The New Normal' meeting. Placards read: "Blackstone - the sharks who made a killing out of care".

Funnily enough, the failure of Southern Cross was not discussed at the conference.

Bob Severn



photo Paul Mattsson

Strike action needs to be part of the strategy to beat the cuts