

UK: NHS subsidiary companies—tools for tax exemption and privatisation

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The destruction of the National Health Service (NHS) continues apace, with outsourcing one of the most effective methods of diverting public assets into private hands.

At the start of the month, 250 NHS estates, procurement and facilities staff working at East Kent Hospitals had their jobs outsourced to a subsidiary company, 2together Support Solutions. This follows a four-day strike at the end of September by affected staff, after 85 percent of them voted in favour of a strike.

The new subsidiary company was announced in May and formally began trading on August 1. The company was set up by East Kent Hospitals University Foundation Trust (EKHUFT).

The subsidiary company is just one of numerous companies—also referred to as “subcos”—that have been set up primarily as a tax avoidance move by multiple NHS trusts. Private companies that operate within the NHS can apply for VAT exemption, whilst NHS Trusts are unable to apply. The *Guardian* reported in September that “around 35 trusts have set up “subcos” and moved non-medical staff into them, or said they intend to do so.”

The 250 staff will be added to the already 850 that were transferred from Serco, which used to hold the contract for clearing and catering in the trusts. While the 250 transferred workers will retain the pay and conditions they currently have with the NHS trusts, new hires and the 850 moved from private conglomerate, Serco, are not going to be on NHS pay or conditions, creating a de facto two-tier workforce.

A spokesman for the subsidiary claimed, “We have confirmed NHS staff who are transferring to 2gether Support Solutions do so on their existing terms and conditions, this includes pay, annual leave and access

to the NHS pension scheme.”

Such assurances are bogus. On October 11, staff at the subsidiary company iFM Bolton went on strike over pay. The pay deal offered by the subsidiary brings most staff to less than £8 an hour, which is under the rates for counterparts within NHS trusts. This was after promising staff they would be employed on NHS rates of pay. A domestic worker, speaking to the *Salford Star*, declared, “We need the same pay as the NHS staff. We’re on poverty pay at the moment and we work damn hard.”

Amid the growing concerns over the use of “subcos,” NHS Improvement (NHSI)—the regulator of the country’s NHS trusts—issued a notice to “pause any current plans to create new subsidiaries or change existing subsidiaries.”

Jonathan Ashworth, Labour’s Shadow Health Secretary, heralded the move by NHS Improvement as a “victory.” Similar comments came from Unite’s national officer for health and UNISON’s head of health also referring to an apparent victory. These claims have already proved to be false, as both the East Kent Hospitals University NHS Foundation Trust and the York Teaching Hospital NHS Foundation Trust ignored the notice and the strikes opposing the outsourcing.

As the *Salisbury Journal* reported, Salisbury NHS Foundation Trust began consultation in September to move 375 health care workers into the subsidiary company Salisbury Healthcare Solutions (SHS). Upon the release of the NHSI notice, a spokesman for the SHS merely declared that after the consultation was finished it would simply pause the implementation of the plans. Even though the consultation was made under existing guidelines, the trust is not looking to withdraw the entire proposal. Staff had expressed

concerns, outside the September annual general meeting, that the proposal lacked details around pay and conditions of the workers set to be transferred.

Over the last year, several high-profile subsidiary transfers have failed. The *Guardian* reported in September that Tees, Esk and Wear Valleys NHS Foundation backed down from moving 600 staff members to its subsidiary body—Tees, Esk and Wear Valleys Estates FM Limited—after UNISON threatened legal action. Warrington, Wigan and Leigh foundation trust also abandoned plans to move 900 staff members to its subsidiary WWL Solutions in June.

In 2010, Southern Health NHS Foundation Trust created TQtwentyone—a separated business entity, as a part of the privatisation process—creating the conditions to attack pay, terms and conditions. By 2013, TQtwentyone, which provided social care services to people with learning difficulties and mental health needs in southern England, forced its 1,886 workers to sign new contracts. These included a restructured pay system, an end to unsocial hours payments and a drastic reduction in annual leave.

TQtwentyone managers argued that workers had to agree to lower their wages and conditions because they cannot compete with private providers “who are fiercely competitive on price in the social care market.” However, the crucial role in facilitating the contracts going through was played by the health unions. Unison, Unite and the Royal College of Nursing isolated the struggle of the health workers and made sure that this inferior contract was imposed on health workers as the employers wanted.

NHS Fightback, initiated by the Socialist Equality Party, warned about the consequences, stating, “The [subsidiary] was expected to increase new business by 9 percent a year, by taking over services from other Trusts and local authorities. *The merger of services with the accompanying slashing of jobs, wages and conditions and rationing of services is a vital stage in the government’s strategy of privatising the NHS*” (emphasis added). Now, large swathes of these services have been sold off to the private sector, driving down the pay, terms and conditions of workers and hugely reducing the quality of services.

In 2014, a document was published by the Smith Institute in cooperation with UNISON, which consisted of case studies examining five different areas of

outsourcing of various public services to private companies. One study analysed the outsourcing of patient transport services (PTS) from the University Hospital North Staffordshire NHS Trust to two separate bodies—Parkwood and NSL. It made several key findings, among which were:

“Underlying problems with providing a service for the price agreed ... with knock-on effects for patients.” Along with “the breakdown in the employment relationship,” this “made it more difficult for [the staff] to do their jobs.” Other observations were that the overall employment package was “markedly inferior” across all the key criteria—pay, leave, overtime, sick pay and antisocial hours.

NHS FightBack urges the formation of rank-and-file committees of action, independently of the unions, to organise and coordinate opposition to the privatisation of the NHS.

We urge health workers to contact NHS FightBack to discuss these vital issues and take the struggle forward.

Visit nhsfightback.org and facebook.com/Fight4theNHS.



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Socialist Equality Party visit:

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