

NHS privatisation: the loss leader model

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The Observer [features the strike by care workers in Doncaster as its main story today](#).

I am delighted they have. This is a massive issue for the UK, for the people in question, for the poorest paid in this country, for the future of care services and the future direction of the NHS.

As the Observer notes the issues relate to Care UK, a regular bidder for privatised care contracts in the UK. It won the the supported living contract in Doncaster after telling officials that it could deliver it for £6.7m over three years. Yet the wage bill alone for the service was £7m.

The result was that it then demanded pay cuts of up to 35% from former NHS staff and has offered new staff a pay rate of £7.00 an hour, which is less than the living wage.

There are many facets to this story, and the Observer covers them well, including in [an editorial](#) and comment by [Will Hutton](#). They also asked for comment from me:

Richard Murphy, a chartered accountant and anti-poverty campaigner who has analysed Care UK's business model for another union, Unite, said he recognised similarities with all the major private equity-backed care firms.

He said: "They often win contracts on the basis of making losses or small profits. At the same time they are putting in place what look to be tax-driven structures that are designed to mitigate taxes on profits. I believe that what a lot of these companies are trying to do is to undermine any chance that an NHS organisation can win contracts.

"Once they have squeezed out the state sector, and the third sector, we will then see prices rise; then we will see profits; then we will see these tax-efficient structures working."

This is the 'loss leader' model at work. The dogma of privatisation is not only destroying livelihoods and care now, it is designed to cost us more in the long term. Of course I declare my interests on this issue, having looked at the accounts of this company, as

the Observer note, for Unite, but the point is one that anyone with an ounce of commercial sense should appreciate and is that the model of privatisation being used now, which delivers consistent losses for companies like Care UK and requires poverty wages for its staff, is not in any way sustainable. Something will give, and at the end of the day there will be a choice between care and price. When that happens we need to ensure that profit is one of the costs that need not be funded. Right now we are guaranteeing it is in the equation. And that has to be bad news for everyone who cares about care in the UK and those who supply it.