

**Abstract of the talk by Professor Julie Froud and Professor Karel Williams, Alliance Manchester Business School, on "What's the crisis in residential adult care?"**

Residential adult care is beset by numerous crises about an ageing population, a broken funding model, austerity cuts and low care quality. The large care-home chains have recently warned of care collapse and home closures because they cannot cover rises in the minimum wage when local authorities (who pay for more than half the beds) do not give them a fair price. This presentation uses 'follow the money research' to challenge this claim: the trade calculation of a fair price includes an unjustified 12% return on capital, which stands in the way of paying higher wages. The private equity owners of the large chains have a record of financial engineering, which increases the fragility of operating subsidiaries: this continues under Terra Firma's current ownership of the largest chain, Four Seasons, where the burden of external interest payments is more or less doubled by intra-group loans at 15%. The residential sector suffers from an excess of financial innovation when it needs more social innovation about new forms of care that do more than warehouse the old.

Professors Julie Froud and Karel Williams are researchers at the Alliance Manchester Business School and the Centre for Research in Socio-Cultural change ([cresc.ac.uk](http://cresc.ac.uk)). Their academic work includes a classic study of the financial crisis (*After the Great Complacence*, OUP 2011) and they reach non-academic audiences through CRESC Public Interest Reports on topics such as railways and meat supply, and through short books in the Manchester Capitalism series. Their current publications include a recent book *What a Waste* on government outsourcing, and a Public Interest Report on residential adult care, *Where does the Money go?*, which will be published on March 2<sup>nd</sup>.