

Care services, multinational companies and expanding European markets

Major trends and eligibility for European Works Councils

by

Jane Lethbridge

j.lethbridge@gre.ac.uk

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PSIRU, Business School, University of Greenwich, Park Row, London SE10 9LS, U.K.

Website: www.psiru.org Email: psiru@psiru.org Tel: +44-(0)208-331-9933 Fax: +44 (0)208-331-8665

Researchers: Prof. Stephen Thomas, David Hall (Director), Jane Lethbridge, Emanuele Lobina, Vladimir Popov, Violeta Corral

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Executive Summary

- Social services becoming a major issue at European level although recognition of importance of social services as publicly-run services unclear
- Multinational care companies operating in several distinct European sub-markets
- Limited mergers and acquisitions since 2007 but signs of consolidation
- Private equity ownership still significant

1 Trends in care policies

1.1 European level

The European Commission estimates that the number of people between 65 and 79 living in the European Union will grow by 37% between 2010 and 2030. This is a sign of an ageing population, which will bring demands for different types of care delivery. There have already been extensive changes taking place in the financing of care and the support for carers, which affect the domestic demand for care from public, private and NGO providers. These changes have also led to the development of new occupations and roles in social care. They also provide opportunities for care companies to expand into larger markets.

In 1996, the Turin Social Charter of the Council of Europe agreed to establish a mandatory right to social services. In the 1st EU Convention (2000) and the draft European Constitution (2003), this mandatory right was abolished, as was the right to social assistance.

The Charter of Fundamental Rights (2002) has a section on social security and social assistance, which recognises an entitlement to social security benefits and social services.

“The Union recognises and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment, in accordance with the rules laid down by Community law and national laws and practices”¹.

This indicates that although the demand for social care services in Europe will continue to expand with an ageing population, the rights to social services and social assistance cannot be assumed to be protected in future. The recognition of entitlement is a much weaker commitment to universal access than a right to social services.

An important issue is whether social services are protected from competition and the internal market laws in the EU. Access to social services will be affected if social services are considered a Service of General Interest (SGI) or a Service of General Economic Interest (SGEI). This has been subject to extensive political debate and the issue is still not resolved. The draft Services Directive (June 2004) *Services in the internal market COM(2004)* recommended that “*personal social services*” are considered a Service of General Economic Interest (SGI).² If this had been agreed then social care services would have been subject to competition law. The final version of the Services Directive, approved by the European Parliament, excluded both health and social care services.

The Protocol attached to the Treaty of Lisbon (October 2007) aims to clarify the approach to Services of General Interest. It also states that “*The Provisions of the treaties do not affect in any way the competence of member States to provide, commission and organise non-economics services of general interest*”.³ However, recent Communications, including COM(2007) 725 (22 November 2007) on “*Services of General Interest, including social services of general interest: a new European commitment*”, suggest that social services can be considered both as an economic and a non-economic Service of General Interest.⁴ This new Communication sets out a strategy for social services, across the EU, and this can be seen as indicative of the European Commission perspective. It proposed the development of a “*voluntary EU quality framework providing guidelines on the methodology to set, monitor and evaluate quality standard*”. The EC will also “*promote the training of public authorities in the field of public procurement*”. This supports a move away from direct public service provision and encourages voluntary, rather than legally required, quality standards.

Although a Common Quality Framework is being drawn up, it will be a voluntary code, rather than a European-wide set of mandatory quality standards. The European Quality Framework sets out quality principles which will define relationships between service providers and users; relationships between service providers, public authorities and other stakeholders; and (iii) human and physical capital.⁵ Although these are drawn from the experience of local, regional and national providers of social services, the weakness of the European Quality Framework is that it is a voluntary agreement with no specific targets that providers have to meet and no formal monitoring procedures. This is particularly difficult when issues of training and professional development are mentioned, which should be mandatory.

1.2 National policies – elder care

Elder care services across Europe are diverse and range from institutional care to home care, with some significant changes taking place over the past two decades. There is a growing demand for services to be delivered at home, moving away from institutional care. Across Europe, several countries adopted and implemented reforms in the provision of elder care, which, in some cases, has resulted in a shift from public to private and not for profit organisation of services. In Spain, a new social care law has also introduced new individual rights and responsibilities for care services. This new legislation has provided new opportunities for social care provision by private providers.

The system of funding these services is also changing. Although services are still funded by taxation in many countries, some countries have introduced new systems of long term care insurance and co-payments. National policies, for the financing of care, have a strong influence on the type of care services provided by the private and not-for-profit sectors. A new law in the Netherlands, the Social Support Act, which changed individual responsibilities for care, was introduced in January 2007. The underlying principle is that every citizen is personally responsible for their own care and for the care of their family/ friends. This Act puts the municipality in charge of social care services but does not oblige the municipality to provide certain types of services.⁶ People still have access to a range of services, including care homes.

One of the most significant changes in the past decade has been the introduction of cash benefits for individuals and/or their families to provide themselves for the needed care. France, Italy, Poland and the UK provide care allowances. In France, it is known as the Personalised Autonomy allowance (*Allocation Personnalisée d'Autonomie* APA). In Italy, home care vouchers are available for older people needing care. In the UK, direct payments for care services are available to people with high levels of disabilities. Older people will be eligible for direct payments in future. The introduction of cash payments has led to the expansion of individual care workers providing home care, including migrant workers. Ensuring regulation of these services and the monitoring and inspection of working conditions is difficult.

A recent report commissioned by EPSU (2010) presents the results of a survey of health and social care workers in 8 European countries. In the majority of European countries, workers in the elder care sector are low paid, even though their jobs are emotionally and physically demanding. Elder care work is often considered a low status career. The workforce is predominantly female. 80% of employees in the health and social care sectors in Europe are women⁷. Pay is traditionally higher in public sector services than in private and not for profit services. Improving wages in this sector would help to reduce the gender pay gap.

Changes in the way that care is funded have also led to the expansion of types of care worker.⁸ As well as care workers employed by the public, private or voluntary sectors, there are 'independent' formal carers, who are registered with an employment agency, for short term placements. Job

security and wages are often poor. A third category, called 'personal assistant' carers, are recruited by the care recipient or recipient's family, and may be permanent, short term or live in.

Elder care is beginning to be recognised as an important policy issue at national and European level although there are differences in government attitudes towards child care and elder care. Child care services are widely recognised as part of a strategy to expand the contribution of women in the workforce. There is no parallel EU process taking place in elder care, even though many workers have caring responsibilities for older people. Flexible working conditions and expanded elder care services will be needed if workers are to maintain employment and continue to provide some informal care.

1.3 Child care

The European Union has recognised the need to improved access to childcare as part of its European Employment Strategy to expand the percentage of women in the workforce. The Barcelona European Council targets aim to provide, by 2010, childcare services for 90% of children between three years of age and the mandatory school age, and for 33% of children, under three years of age.⁹ The EU focus on child care provision is also related to falling birth-rates and the recognition that good quality child care is a factor in determining decisions about family size and in achieving a sustainable work-life balance.¹⁰

There has been an expansion of child care during the 1990s and this trend continues. However, there are wide variations between countries, which are influenced by the period in which child care provision has expanded. Countries in the Nordic region established a state system of childcare by the 1980s. The UK has been developing a much more mixed system, since the 1990s. The largest investments are in pre-school age care. Except in Denmark and Sweden, the pre-school age care is more developed than care for 0-3 year olds, which is more likely to be small scale, and informal.¹¹

Informal care continues to be the dominant form of care. Changes in types of funding are having an influence on the types of care worker. Workers involved in childcare services that are part of the educational sector are generally better qualified and better paid than child care workers for the younger 0-3 year age group. The separation of responsibility for child care services for these two age groups between education and welfare departments has also made it more difficult for workers to move between different services.

In all countries, the child care workforce is predominantly female. Although child care services have often been developed as a way of increasing the participation of women in the labour market, the child care sector remains gender segregated. Low pay and poor working conditions in many countries has led to high rates of staff turnover and problems in recruitment. Migrant workers also work in many areas of child care services, particularly unregulated services

The low pay and low status of child care workers is being addressed, mainly through the provision of training. One of the most common initiatives is to provide access for child care workers to access higher level training or to make stronger links between vocational training and higher/tertiary education. Several countries are integrating training for childcare and educational workers. As long as the care and educational functions remain separate, the development of the child care workforce will remain limited.

2 Multinational company trends

Multi-national companies are involved in care services in several ways. Many multinational social care companies own a mix of care homes as well as some clinical services, most usually mental health services. Facilities management MNCs are increasingly becoming involved in the delivery of homecare services, for example, ISS, Sodexo. Some companies, not always involved directly in care, provide luxury retirement apartments with a range of services. The services may cover care but also include recreational activities for people on higher incomes.

Companies are also becoming involved in property investment which includes retirement and care homes. Real Estate Investment Trusts (REITs) have been introduced from the United States into Europe as a way of investing in property. They are joint stock companies that obtain income from property, whether through ownership, management, funding, or a combination of these three. REITs are free from corporate tax and pay out high levels of profits. These arrangements have encouraged property companies to invest in a range of different types of property, including care and retirement homes. Belgium, the United Kingdom, France, Italy, Germany have introduced REITs as ways of limiting taxes on property investment. One of the largest REITs in Belgium is a company, Cofinimmo, which has recently diversified into health care including nursing homes, psychiatric care and rehabilitation clinics¹². 25% of its portfolio is in health care in Belgium, the Netherlands and France.

Since 2005, there is evidence of a slow expansion of some multinational care companies, into neighbouring countries. Different European sub-regions can be considered as specific markets defined by the licensing arrangements that governments require nursing and residential homes to adhere to (Healthcare Europa 2010:19 (April)).

Unrestricted

UK, Spain and Germany have unrestricted arrangements where beds do not require a licence. This often leads to excess bed capacity. BUPA, a UK company, has expanded its care services division since 1995. It also has a Spanish subsidiary, Sanitas, which provides residential care services.

Restricted

Nursing/ residential home operators require a licence (called Certificate of Need) in France, Belgium and Italy. This leads to higher bed occupancy rates. French companies have shown the most rapid expansion through buying homes in Italy, Belgium, Switzerland and Spain.

Out-sourced

In the Nordic region, local authorities have outsourced care homes to private providers. Companies in this region, for example Attendo, Aleris and Ambea, have continued to expand, in terms of volume of services, within Sweden, Norway, Denmark and Finland. There is a continued presence of private equity investors in the sector.

The not-for-profit sector is also a major provider of care in residential and home settings. Charitable organisations, such as the Red Cross and Caritas, are major providers of care in many European countries. Not-for-profit organisations do not necessarily have a tradition of unionised staff because they have often depended on volunteers for much of their labour force. As major providers of care in more than one country in Europe, they should also be assessed as eligible for a European Works Council.

3 European Works Councils

The European Works Councils (EWC) Directive, initially adopted in 1994,¹³ aims to improve the right of workers to information and consultation in trans-national companies. It requires transnational companies to establish information and consultation agreements covering their entire European workforce, if they have not already done so. The content of these agreements is largely left to negotiation between management and employee representatives, but minimum requirements where management refuses to negotiate include the requirement of annual reports to the EWC on the company's business prospects, and the right to be informed about exceptional circumstances affecting employees' interests, such as closure or collective redundancy.

The EWC directive applies to companies,¹⁴ or groups of companies¹⁵, with

- at least 1000¹⁶ employees across the member states,¹⁷ *and*
- at least 150 employees in each of two or more distinct member states.

These employment criteria represent a lower bound – *companies meeting them are obliged to establish a EWC*, but companies which do not meet them may nonetheless choose to establish one voluntarily. In a number of instances companies have chosen to do so, whether it be for purposes of labour relations, prestige in order to demonstrate Europe-wide coverage, or, in the case of UK during its opt out, in the expectation of the future introduction of a legal obligation.

The directive was revised in 2008 following an agreement on amendments by the European social partners (ETUC and employers). On 23 April 2009 a revised directive on European Works Councils (EWCs) was adopted 2009/38/EC. This has to be transposed into national legislation by June 2011. The thresholds were not changed.

The most important changes in the recast directive 2009/38/EC relate to:

- Inclusion of a definition of information
- Improvement of the definition of consultation
- Inclusion of a definition of transnationality and clarification of the transnational competence of EWCs
- Link between various levels of employee information and consultation
- Employers' obligation to provide EWC members with training
- Facilities provided to the SNB, such as pre and post meetings, the presence of experts – including trade union members- in the negotiation meetings
- Obligation to inform the European social partners of negotiations (= recognition of the role of the European social partners)
- Mandate for the employee reps in the EWC to collectively represent the employees and obligation for the management to provide the EWC with means necessary to perform this function (www. <http://www.worker-participation.eu/European-Works-Councils/Recast-2009>)

4 Multinational care companies

4.1 European and wider international presence

<u>Company</u>	<u>European presence</u>	<u>International presence</u>	<u>Number of workers (2010)</u>
Aleris (formerly CarePartner)	Sweden, Denmark, Norway	-	5,000
Ambea (formerly Carema)	Sweden, Norway, Finland	-	10,300
Attendo	Sweden, Norway, Denmark,	-	12,000
BUPA Care Homes	UK, Spain	Australia, New Zealand	26,950 (UK)??? 5,558 (Spain)
Korian (formerly Medidep)	France, Belgium, Italy, Germany	-	14,000
Medica France	France, Italy	-	6,400
Norlandia	Sweden, Norway, Denmark	-	
Orpea	France, Italy, Spain, Belgium, Switzerland	-	5,700
<u>Not-for-profit organisations</u>			
Caritas	Germany and emergency relief services	-	500,000
Red Cross	National societies		

4.2 Non-EWC eligible

<u>Company</u>	<u>European presence</u>	<u>International presence</u>	<u>Number of workers</u>
Domus VI/	France	Canada	4,000

4.3 Significant acquisitions and sales of subsidiaries 2005 - 2010

<u>Company</u>	<u>Buying</u>	<u>Selling</u>	<u>Year</u>	<u>Year (2010)</u>
ABC Learning	Busy Bees - UK		2007	
Aleris		ISS sold shares in Aleris to EQT	2005	
Ambea	Sold by 3i to KKR/Triton			
BC Partners	Medica France		2006	Floated on stock exchange
Attendo	MedOne		2007	
Bridgepoint Capital		Robinia Care Group to Barclays Private Equity	2006	
		Attendo to Industri	2007	

		Kapital		
BUPA	Sanitas Residenciales	BUPA Corporate child care services to Emergency Child and Home Care. New company called The Family Care Company	2007	
Domus VI	Sedna, Canada		2007	
Korian	Segesta, Italy Phönix, Germany		2006 2007	
Medica France	Aetas, Italy		2005	
Orpea	La Métairie, Switzerland Résidence Winston Churchill/ Clinique Longchamp Belgium		2006 2006	

5 Companies with European Works Councils or eligible

5.1 Company name: ALERIS

Box 42071
SE-126 13 Stockholm
Tel: 08 6816000
www.alerisgroup.com

Total number of employees: 5,000

EWC: NO – ELIGIBLE

Subsidiaries:

Aleris AB Katrinebergsbacken 35 A Box 471 34 100 74 Stockholm SWEDEN Tel. + 48 8 690 55 00 Fax.08-690 59 91 E-mail: info@aleris.se	Aleris AS Frederik Stangs gt 11-13 0264 Oslo NORWAY Tel. + 47 22 54 10 00 E-mail: info@aleris.no	Aleris Bernhard Bangs Alle 39 DK-2000 Frederiksberg DENMARK Tel. + 45 38 17 17 70 Fax. + 45 38 11 13 1 E-mail: info@aleris.dk
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5.1.1 Company activities and strategy

Aleris operates specialist care centres, surgical units, local hospitals, senior care homes, nursing homes, home services, rehabilitation centres, foster homes, psychiatric residential homes, radiology centres, clinical tests laboratories, medical test centres and audiology centres. The company is active in Sweden, Norway and Denmark.¹⁸

In February 2005, ISS announced that it was setting up a joint venture with the EQT III fund to take over the activities of ISS Health Care, fully owned by ISS. The joint venture would also take over 100% of CarePartner AB, which was 49% owned by ISS and 51% owned by management. ISS took over the 51% of CarePartner AB from management prior to the sale of the combined activities to the joint venture.¹⁹

ISS then sold its health care operations to the newly formed joint-venture, now named Aleris Holding AB, owned by EQT III Limited, ISS and Aleris's management. In June 2005, ISS sold its interest in Aleris to EQT III Limited. The sale of Health Care resulted in a non-taxable gain DKK 237 million.²⁰ The EQT investment group was founded in 1994, by Investor AB, Scandinavia's largest industrial holding group. It is part of the Wallenberg group.²¹

In July 2010, Investor AB increased its share of Aleris to 97%, buying from the EQT Investment Group. Aleris management own the remaining 3% shares.²²

5.2 Company name: AMBEA

Owner: In April 2010, Triton and Kohlberg Kravis Roberts & Co (KKR) acquired Ambea, the company which owned both Carema, a Swedish healthcare company, and Mehiläinen, a Finnish health care company.

Mäster Samuelsgatan 42
SE-111 57 Stockholm
Tel: +46 (0)8 617 39 00
www.ambea.com

EWC: NO – ELIGIBLE but negotiations are continuing (August 2010)

Total number of employees: 10, 300

5.2.1 Company outline and strategy

The healthcare company Carema, founded in 1996, changed its name to Ambea in 2007. The company provides specialist care, primary care, elder care, psychiatry, care of people with disabilities and health staffing. The company specialised in integrated care. It is active in Norway, Sweden and Finland.

There are three business areas in the Healthcare Business Unit:

1. Primary care - runs 20 healthcare centres in Sweden
2. Specialist care runs specialist healthcare in local hospitals, elective surgery and rehabilitation under the name of Carema Specialist Healthcare.
3. Recruitment which runs the Rent a Doctor, rent a nurse, and care team brands.

All business units work for local councils. Councils pay for 100% of primary care services. Councils account for 90% of the recruitment business unit's revenue with the rest coming from private companies. It has a very limited income from private health insurance and people who fund their own treatment.

The Nursing Business Unit provides support, services and care to people with physical and psychological problems (Care and Psychiatry) as well as care for older people. It is the biggest provider in Sweden and provides care to 4,500 people in 40 centres. The company operates under contract, under its own management and other customer systems. The business unit is paid for its services by municipalities. This represents 76% of its turnover. The Nursing Business Unit is active in Norway, Sweden and Finland.

In April 2010, Ambea was sold to Triton and KKR. KKR is a US private equity fund, which also owns part of the HCA company, which operates in the US, UK and Switzerland. edit

Ambea increased the number of employees by 2,000 in 2009. The workforce is broken down into the following groups:

- Physicians, 4%
- Nurses, 14%
- Certified nursing assistants, 26%
- Care personnel, 41%
- Paramedics, 2%
- Administrative personnel, 13%

Care personnel are the largest group. Although Ambea is a healthcare company, its main activities are care services.

5.3 Company name: ATTENDO AB

Owner: IK Investment Partners

Attendo AB
Attendo 2006
Vendevägen 85B,
182 91 Danderyd
Tel: 08-5862 5200
www.attendo.se

Total number of employees: 12,000 in Sweden, Denmark and Norway.

EWC: NO – ELIGIBLE

5.3.1 Company activities and strategy

Attendo is the leading care company for elderly and disabled people in the Nordic region. The company provides care for older people and disabled people on behalf of local authorities in Sweden, Denmark and Norway and Finland. It provides services in the following sectors: homecare, assisted living, nursing home, primary care, medical staffing.

Attendo is based in Danderyd, Sweden, where the company won Sweden's first outsourced home care contract in 1988. Currently the company generates sales of approximately SEK 2.8 billion (EUR 315 million).

In February 2005, the British private equity funds management company Bridgepoint Europe II, belonging to British Bridgepoint Capital Group Limited, bought a majority holding in the Swedish care services provider Attendo AB.²³ Announcing its acquisition of Attendo AB in 2005, Bridgepoint Capital said that it "*intends to be an active owner, using its extensive industry knowledge and capital resources to offer the necessary support to management and the business*".²⁴

In 2005-6, Bridgepoint Capital merged two divisions of Attendo (systems and response systems) with Tunstall, a company specialising in telecare, which Bridgepoint Capital had also acquired. Bridgepoint Capital then sold the remaining nursing care division of Attendo to Industri Kapital, a Swedish private equity group. This sale was completed in January 2007.²⁵

Since then, Industri Kapital has changed its name to IK Investment Partners. It owns 68% of the shares in Attendo. The remaining 32% of the shares is owned by Varma, Intermediate Capital Group and Attendo employees (www.attendo.se). In 2007 Attendo AB bought MedOne, a Finnish company that provides medical staff and delivers primary care, specialist care, dental care and elder care in Finland.

IK Investment Partners does not own any other specific care or health care companies. Other health care investments include private dental care and mobility aids.

Revenues

SEKm	2007	2008	2009
Revenues	3 491,5	4 940,5	6 108,0
Profit	267,6	302,6	426,7

5.4 Company name: BUPA

Owner:

BUPA

BUPA House

Bloomsbury Way

London WC1A 2BA

www.bupa.com

EWC: NO but ELIGIBLE

Total employees: 52,000 (worldwide)

Major European subsidiaries

Company	Ownership	Country	contact	Website	Employees
Sanitas – Spain	100%	Spain	c/via Augusta 13-15, 28042 Madrid Tel: + 902 10 24 00	www.sanitas.es	5,285
BUPA UK Insurance	100%	UK	BUPA House Bloomsbury Way London WC1A 2BA	www.bupa.com	16,000+?
BUPA Care Services Ltd	100%	UK			

5.4.1 Company outline and strategy

Care services have been BUPA's largest area of expansion since the mid-1990s. This sector has continued to grow, with increased acquisitions, not just in the UK but in Spain, Australia and New Zealand.

BUPA's major European subsidiary is Sanitas, a Spanish health insurer and healthcare provider, which was incorporated into BUPA in 1989. In 2007, the Sanitas group acquired Sanitas Residencial, BUPA Group's Spanish care home provider, bought the Euroresidencias' care home and day centre portfolio from the Spanish company Saarema Inversiones. This made Sanitas, the second largest provider of long term care in Spain.

In July 2007, BUPA sold its corporate childcare services to Emergency Child and Home Care. The new company will be called The Family Care Company and will offer its clients emergency child and elder care; out of school care; on-site creche and nursery management; childcare search and selection services, and advice lines for employers and their employees. Previously, The Family Care Company concentrated on providing back-up and emergency childcare and elder care predominantly through a website service. BUPA employees have transferred to the new company.²⁶

In 2010, BUPA employs 52,000 employees worldwide. Sanitas employs 5,295. There are no specific figures given for the number of employees in the UK, in the most recent annual report, but out of a total of £56.5 million revenue from BUPA care homes in the UK, £30 million was spent on staff costs.

Revenues by segment

Revenues	2006	2007	2008	2009
UK & N.America	1,640.0	1807.5	2,069.3	2,131.4
EMEALA	1056.4	1,207.9	1,568.9	1,760.4
Asia Pacific	513.7	568.5	1,394.3	2,122.8
Care services	606.3	665.7	891.6	926.3
Hospitals	-		-	-
Other	12.7	3.7	2.9	0.6
Revenue from continuing operations	3827.2	4,250.1	5,923.9	6,941.4
Rev. From discontinued operations	420.6	295.3	-	-
Consolidated total revenues	4247.8	4,545.4	5,923.9	6,941.4

Source: BUPA Annual Report 2009:118

5.5 Company name: ISS

Owner: PurusCo A/S, a consortium of EQT (a Swedish private equity company) and Goldman Sachs Capital Partners

ISS A/S
 Bredgade 30
 DK-1260 Copenhagen K
 Denmark
 Tel: +45 38 17 00 00
 Fax: +45 38 17 00 11
www.issworld.com

EWC: YES

Total employees: 485,800 (2009)

5.5.1 Company activities and strategy

International Service Systems ISS, a Danish company, runs a global facilities management business. It has developed an increasingly integrated set of services, with a growing consolidation of suppliers, in the five years. ISS is one of the 10 largest employers in Europe. Cleaning services

represent % of sales in 2009. Some are delivered in the hospital sector. ISS has also been involved in several Public Finance Initiatives in the UK.

In April 2005, PurusCo A/S, a consortium of EQT (a Swedish private equity company) and Goldman Sachs Capital Partners bought ISS. The company was then de-listed from the Copenhagen Stock Exchange, in June 2005. It is now a private company.²⁷

ISS sold its health care operations in 2005. The company also sold its 49% interest in CarePartner, a care services company, to a joint venture to Aleris Holding AB, which was owned by ISS, EQT III Ltd and Aleris's management. ISS then sold its interest in this joint venture to EQT III.²⁸

In 2007, ISS entered the US market with the acquisition of Sanitors, Inc. In 2009, the company employed over 400,000 workers. ISS has been given a credit rating of BB2 by Standard and Poor and BB- by Moody's, both of which indicate a high level of indebtedness.

ISS is developing home care services as part of its health care division. In the UK, ISS Mediclean operates home care services, organised on a local basis, providing home care services to older people and people with disabilities.

5.6 Company name: KORIAN

32 rue Guersant
75017 Paris
France
Tel : +33 1 55 37 52 00
Fax: +33 1 55 37 52 16
www.groupe-korian.com

Total number of employees: 14,000

EWC: NO – ELIGIBLE

Subsidiaries:

Italy	Germany
Segesta Group	Phonix Group

5.6.1 **Company activities and strategy**

Founded in France in 1992, Medidep expanded between 1998 and 2002 by acquiring 142 homes in France and 3 homes in Belgium. By 2004, 94 centres were in operation with 50,000 people using the services.

In 2003, with the retirement of the founder, Pierre Austruy, there was a change in ownership. ORPEA, another leading French care company, became a major shareholder (29%) with Fidelity Investments owning 5% of shares.

In 2006, Medidep and Suren merged to form a new company, Korian.²⁹

Korian sees that there is considerable scope for European expansion. The Italian market has high barriers to entry because of the authorisation processes necessary to enter the market, although residential prices are set relatively freely with unregulated price adjustments. The market is still fragmented.³⁰ In 2006, Korian bought Segesta, the second largest private care operator in Italy.³¹

In August 2007, Korian signed an agreement to acquire a 92.5% stake in the Phönix group, Germany, with the remaining interest held by the management team. Phönix, with corporate headquarters in Bavaria, operates nearly 3,000 beds in medical retirement homes.³²

In 2010, Korian remains active in France, Italy and Germany and tailors its strategies to these individual countries.

In 2010, shareholders included:

- Batipart : 23.8 %
- Prédica : 31.0 %
- ACM Vie : 10.4 %
- Malakoff-Médéric: 13.3 %
- MASCF: 10.4 %
- Public : 10.8 %

Predica was initially the insurance subsidiary of Crédit Agricole Group employees but has now become a leading French insurance company.³³

Revenues

€m	2007	2008	2009
Revenues	608.7	781.3	850.6
EBITDA	79.7	93.5	94.3

Source: Korian (2008,2009)

Geographical distribution of revenues

	France	Italy	Germany
2009	628.8	121.0	100.7
2008	601.4	90.8	89.1

Source: Korian 2009

Employees by country

	France	Italy	Germany
Number of employees	10,181	2,210	2,930
% of total	71%	12%	17%

Source: *Rapport Annuel Document de Reference*, 2009: 45

5.7 Company name: MEDICA GROUP

39 rue Gouverneur General Eboue
Issy Les Moulinaux
France
Tel : 33 01 41 09 95 20,
Fax : 33 01 45 95 51 80

<http://www.groupemedica.com/en/group/>

Number of employees: 6,400

EWC: NO – ELIGIBLE

5.7.1 Strategy and activities

Medica Group runs 120 nursing homes and clinics with 8,346 beds. The company moved into the Italian market in 2005, when it bought a majority share in Aetas, an Italian care company with 11 nursing homes and 741 beds. In 2006, it bought a further four homes in Lombardy and Piedmont.³⁴

Bridgepoint Capital and Alpinvest, bought 70% of Medica France from Caisse de Depots, a Quebec fund manager for public and private pension funds, in 2003,³⁵ but sold it in 2006 to BC Partners for €750m.³⁶ BC Partners floated Medica France in February 2010. It is now known as Medica Group.

Revenues

€m	2008	2009
Revenues	448.8	480.7
Ebitda	78.3	84.6

Source: 2009 Medica Group Financial Report

Revenue by sector

	€m	% of revenue	Employees	€m	% of revenue	Employees
Long term care France	266.9	59.5	4,244	289.6	60.2	4,350
Post-acute & psychiatric care – France	134.8	30.0	1,742	141.4	39.5	1,705
Italy	47.2	10.5	253	49.7	10.3	267
Total	448.7		6,240	448.8		6,322

Source: Medica Annual, 2009

5.8 Company name: ORPEA

Groupe ORPEA
1-3, rue Bellini
92806 PUTEAUX Cedex
France
Tél.: 01 47 75 78 07
www.orpea.biz

Subsidiaries

Grupo care C/ Monte Esquinza 30 7º Izquierda 28010 Madrid Tel. 91 426 09 52 - Fax 91 391 57 38 www.grupocare.com www.grupocare.es	La Mairie Avenue de Bois-Bougy Nyon CH-1290 Switzerland Tel : 41-(0)22 363 2020	Residence Winston Churchill Clinique Longchamp Brussels Belgium	Residences de Ancône (Region de Marches) and Nizza Montferrato (Piedmont)
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Employees: 5,700

EWC: NO - ELIGIBLE

5.8.1 Company activities and strategy

Orpea is the largest private sector provider of social care in France. It provides two types of services: care services and psychiatric services. It has a sister company CLINEA, which runs psychiatric services. Since 2004, ORPEA has expanded into Spain, Belgium, and Switzerland.

Country	Nursing homes/ clinics	Beds
France	180	16,386
Spain	16	1,676
Belgium	9	835
Italy	7	784
Switzerland	1	75

Source:

Property is considered a strategic asset for the group. On 31 December 2006, financial debt was €554.5m, divided as follows:

- 74%, property asset financing
- 26%, funding of the acquired operating structures

The company aims to expand in Belgium, Spain and Italy. Orpea considers that the “*European care sector remains very fragmented at European level*”.³⁷ The company has identified these three countries as having similar characteristics to France: a regulatory and supervisory system; similar demographic trends; and a fragmented sector.³⁸

In 2010, ORPEA is still a third-owned by its founders, the Mariani family.³⁹ Shareholders are

- Mariani family : 32,5%
- Sempre : 17,3%
- Public : 50,2%

Revenues

€m	2005	2006	2007	2008	2009
Revenues	309.6	414.9	544.6	702.3	848.3
Operating profit	74.8 (included profit from sale of Medidep stake)	60.6	72.4	95.0	115.5

Source: ORPEA Full year results www.orpea.biz

5.9 Company name: Norlandia Care

Owner: The Adolfsen Group

Address

Rådhusgt 23,
0158 Oslo
Norway
Tel.: +47 21 42 30 00
Fax:+47 21 42 30 01
www.adolfsen.com

Number of employees: 2,000

EWC eligible

Revenues 2006-2009

	2006	2007	2008	2009
Revenues	272	351	465	578
EBITDA	18	24	24	41

Source: Norlandia Annual Report, 2009

Revenues by country

NOKm	Norway	Sweden	Total
Revenues	368 (64%)	210 (36%)	578 (100%)
EBITDA	26 (63%)	15 (37%)	41 (100%)

Source: Norlandia Annual Report, 2009

Revenue by enterprise

Total revenue (NOK)	Patient hotels	Home care	Nursing homes
578m	88m	114m	376m
100%	15%	20%	65%

Source: Norlandia Annual Report, 2009

5.8.2 Company activities and strategy

Norlandia Care was established in 1997 with a joint venture between Norlandia Hotels and Resorts and Boende Fornyelse och Service AB. Originally running care centres (Children and older

people), nursing homes (older people and people with disabilities) and patient hotels in Norway and Sweden, it sold its care centre business in Sweden in 2009. In 2010, Norlandia Care runs nursing homes, patient hotels and home care services for young people. It provides services to the public sector as well as providing private care services directly to patients. Almost 64% of revenues come from Norway.⁴⁰

A patient hotel is run as a hotel where a patient stays when receiving healthcare treatment from a nearby hospital. Several county councils in Norway and Sweden have contracts with Norlandia for patient hotel services.

In 2007, Norlandia acquired a majority stakes in Achima, a temporary staffing agency providing healthcare personnel to Norwegian and Swedish public and private healthcare institutions. It sold Achima in 2009 after a decision to focus on core business areas of nursing homes, patient hotels and home care.⁴¹

5.9 Company Name: Sodexho

Owner: Sodexho Group

Address

255 quai de la Bataille de Stalingrad

92130 Issy-les-Moulineaux

FRANCE

Tel : +33 01 30 85 75 00

www.sodexho.com

EWC: YES

Employees: 380,000

Regional sales

<u>Region</u>	<u>Sales %</u>
North America	39%
Europe	45%
Rest of world	16%
Total	

Sectors and employees

Sector	Employees	% sales
Corporate	152,767	34.5
Defence	14,848	3.3
Justice	3,222	1.6
Remote sites	32,055	7.2
Healthcare	60,055	20
Seniors	12,468	6.2
Education	90,438	22.5

5.9.1 Company activities and strategy

The Sodexo Group works in the following sectors: business and industry, defence, correctional services, healthcare, education, older people as well as in remote sites. It also manages vouchers and card schemes. Healthcare is one of its largest sectors.

In the healthcare sector, Sodexo provides a range of services, often described as multi-service, to hospitals and to older people's care homes. These services may include, catering, cleaning, housekeeping, building maintenance and management of paramedical staff. Services delivered within the health care sector provide 20% of total revenue.⁴² Sodexo is continuing to develop partnerships with public and private sector organisations in order to deliver services. In the UK it is involved in several PFI project both as an operator and as an investor. Sodexo has several contracts with local authorities to deliver meals to older people in their homes.

In 2008, Sodexo acquired Zehnacker, a major German Facilities Management company in Health Care, doubling Sodexo's size in Germany. As an indication of its expansion into home care, Sodexo bought Comfort Keepers, a home care services provider for older people in North America.

UNISON and SEIU have formed the Three Companies Project which is campaigning for workers rights in three multinational companies, Compass, Aramark and Sodexo⁴³.

6 NON EWC eligible companies

Companies and organisations that are not yet eligible for EWC, but are active in more than one country globally, are set out below. A French care company, Domus VI, runs services in France and Canada/ Quebec. A previous candidate, ABC Learning, an Australian child care company, which moved into the UK market in 2007, went bankrupt in 2008/9.

The International Federation of the Red Cross and Red Crescent Societies and International Committee of the Red Cross are included to illustrate the potential of charitable / humanitarian organisations for eligibility for EWCs.

6.1 Company name: DOMUS VI

Domus Vi,
47, rue Hallé
75014 Paris
Website: www.domusvi.com

Number of employees : 7,000 (France and Canada (Quebec))

6.1.1 Company activities and strategy

Founded in 1983, Domus VI became independent after the French health care company, Generale de Sante, sold its care homes, through a management buyout in 2003, supported by Barclays Management Capital.⁴⁴ Ascaide Domus Viviendi is a company providing home care in France. It specialised in care of older people and was the fourth largest operator with 4, 632 beds and operates 57 homes for older people and agencies for home care services.

In 2007, Domus VI bought Sante Segna, a Canadian social care company, which was originally owned by Generale de Sante, which sold its Canadian subsidiary, Générale de Services Santé N.A., in 2003. After the sale in 2003, the company was renamed Sante Segna. There were three subsidiaries, now taken over by Domus VI:

- Groupe Champlain Inc. (www.groupechamplain.qc.ca)
- Villa Medica Inc. (www.villamedica.ca)
- Accès Services Santé GSS Inc. (www.acces-services-sante.ca)

In 2010, Domus VI merged with Dolcée / GDP Vendôme, a French care company, so forming the largest French care company.

6.2 Company Name: Red Cross

Address:

<u>International Committee of the Red Cross (ICRC)</u>	<u>International Federation of Red Cross and Red Crescent Societies</u>
19 avenue de la Paix CH 1202 Geneva Fax: ++ 41 (22) 733 20 57 Phone: ++ 41 (22) 734 60 01	P.O. Box 372 CH-1211 Geneva 19 Switzerland Telephone: +41 22 730 42 22 Fax: +41 22 733 03 95

Number of employees: ICRC - 1,400 + 800 (hq)
IFRC - Europe -

The International Committee of the Red Cross (ICRC)

The International Committee of the Red Cross (ICRC) is an “impartial, neutral and independent organization whose exclusively humanitarian mission is to protect the lives and dignity of victims of armed conflict and other situations of violence and to provide them with assistance”. It aims to reduce suffering by promoting and strengthening humanitarian law and universal humanitarian principles.

ICRC employs more than 1,400 people, both specialized staff and delegates, on missions for the ICRC worldwide, with 11,000 local employees providing backup and support. About 800 staff work at the Geneva headquarters (ICRC, 2010).

International Federation of Red Cross and Red Crescent Societies

The International Federation of Red Cross and Red Crescent Societies is the “world's largest humanitarian organization, providing assistance without discrimination as to nationality, race, religious beliefs, class or political opinions”(IFRC, 2010). The International Federation consists of 186 member Red Cross and Red Crescent societies, a Secretariat in Geneva and more than 60 delegations around the world. The Red Crescent is used in place of the Red Cross in many Islamic countries. IFRC works on four core areas: promoting humanitarian values, disaster response, disaster preparedness, and health and community care.

In Europe, national Red Cross societies are becoming major providers of health and social care services. The table below shows the number of employees by national society as well as the number of volunteers involved in health and social care activities.

European Red Cross Societies Employment by country

Country	Numbers of employees	Numbers of volunteers
Austria	4,900	46,300
Belgium	2,134	24,000
Britain	1,637 fulltime and 1,087 part time	35,000
Bulgaria	300	13 136 (5592 youth and 7617 adults)
Czech Republic	195 staff (160 at local branches and 32 at headquarters)	8,000
Denmark	126 at HQ (65 women and 44 men), 17 part-time support staff (17 women)	15,000
Estonia	43	300 youth 200 adult
Finland	1,088 - 114 at HQ (70 % women), 104 in districts and 870 in the institutions (blood transfusion service, emergency shelters for youth, ambulances and other professional institutions within the Finnish RC)	45,000 (60-70 % women):
France	16,270	60,000
Germany	82,000	400,000
Greece	593 at national HQ, 95 at provincial level (the majority are women)	3,000 at national HQ, 5,059 in the branches and committees (the majority are women)
Hungary	530	30,000
Ireland	16	2,879
Italy	2,958 (353 at HQ, 2,605 in branches)	190,000
Latvia	24	1,469
Lithuania	60	2,319
Luxembourg	536 (100 men, 436 women)	2,000
Malta	4	60
Netherlands	303 (160 at national HQ (72 men, 88 women), 143 (35 men and 108 women) district/branches)	34,000
Poland	600 staff also 1,110 " PLRC nurses".	290,000
Portugal	218 at HQ and 498 in the branches and chapters	5,000
Slovakia	114	130,000
Slovenia	100	209,070
Spain	8,654	142,333
Sweden	530 paid employees, 150 of them at headquarters (65% women)	40,000

Source: <http://www.redcross-eu.net/internet/en/profile.asp?SM=335&offset=0> (mainly 2004/5 statistics)

As many national Red Cross societies are becoming major providers of health and social care services in Europe, it is useful to look at the experience of countries, which have the Red Cross as a major service provider. In the United States, the American Red Cross is the major supplier of blood. It has been accused of poor quality standards because of a failure to screen potential donors, failure to test for syphilis, and failure to eliminate poor quality or contaminated blood. As a result it has been fined by the Food and Drug Administration (FDA). <http://www.bloodrivesafety.com/media.htm>

Although the blood industry has a turnover of billions of dollars, the American Red Cross has been trying to reduce its labour costs by reducing pay and replacing staff on low pay rates and more limited healthcare and pension benefits. With increasingly poor working conditions caused by understaffing, 14 hour working days, low morale and high turnover, American Red Cross workers went on strike in June 2010. <http://online.wsj.com/article/SB125807531639846383.html>

7 Conclusions

Social services cover a wide range of care and community services in Europe. There is an increasing focus on policy towards these services at EU level although attempts to maintain quality standards are only being promoted with a voluntary quality framework. With a growing ageing population, the issues about how to maintain high quality care for older people will remain a key political issue for the future.

Multinational companies involved in the provision of different care services are showing signs of consolidation since 2007. There have been very few acquisitions or sales. Private equity ownership continues without any significant expansion or contraction.

Companies operating in the Nordic region are developing a range of services which deliver care to local settings, whether care centres, residential homes or homes. Other subregions, continue to consolidate activities, which are usually care services combined with some mental health services.

¹ [Charter of Fundamental Rights of the European Union 2000/C 364/01](http://www.europarl.europa.eu/charter/pdf/text_en.pdf)

² http://www.europarl.europa.eu/charter/pdf/text_en.pdf

³ (June 2004) *Services in the internal market COM(2004)*

⁴ European Union (2007) *Treaty of Lisbon Protocol on services of general interest*

⁵ European Commission (2007) Communication on "Services of general interest, including social services of general interest: a new European commitment"

⁶ Social Protection Committee (2010) *A Voluntary Quality Framework* June 2010

⁷ de Boer F. (2006) *The Social Support Act* Presentation at the 14th Social Services Conference, Vienna, 19-21 June 2006

⁸ Pillinger J. (2010) *Pay and the gender wage gap in health and social care* Report of EPSU study on pay in the care sector in relation to overall pay levels and the gender pay gap in different countries in the EU Brussel: EPSU www.epsu.org

⁹ European Foundation for the Improvement of Living and Working Conditions (2006) *The future for employment in social care in Europe* Report of a Conference held in Helsinki, 2-3 October 2006

¹⁰ Barcelona Council (2002)

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/71025.pdf

¹¹ Blackburn P. (2006) *Child care services in the EU What future?* European Foundation for the Improvement of Living and Working Conditions

http://www.eurofound.europa.eu/emcc/content/source/eu06015a.html?p1=ef_publication&p2=null

¹² Blackburn, 2006

¹³ Standard & Poor (2010) *Global Credit Portal Rating Direct Cofinimmo SA/NV*

¹⁴ Directive 94/45/EC was adopted by all EU member states except the UK on 22 September 1994, under Article 2(2) of the Agreement on Social Policy (the "Social Chapter") and was later extended to cover the rest of the European Economic Area (Norway, Liechtenstein and Iceland). The deadline for national implementation in these member states was 22 September 1996. The original Directive was extended to cover the UK by directive 97/74/EC in December 1997.

¹⁵ Strictly speaking, the requirements apply to "undertakings", a term which may include partnerships or other forms of organisation as well as companies. <http://www.dti.gov.uk/er/consultation/ewcover2.htm>

¹⁶ A group of companies (undertakings) includes a controlling company and any companies it controls ("exerts a dominant influence over"), whether by virtue of ownership, financial participation or the governing rules of the controlled company.

¹⁷ Based on the average number of employees, including part-time employees, employed during the previous two years calculated according to national legislation and/or practice.

http://europa.eu.int/comm/employment_social/soc-dial/labour/directive9445/9445euen.htm

¹⁸ "Member states" means the member states of the European Union, but for the purposes of the EWC Directive includes since 1996 the rest of the European Economic Area (Norway, Liechtenstein and Iceland). The UK opted out of the EWC directive until December 1997. There are now 27 members in 2007.

¹⁹ Aleris (2007)

²⁰ ISS(2005) *Press release* 1 February 2005

²¹ ISS (2006) *Annual Report* p.150 www.world-iss.com

²² EQT (2007) <http://www.eqt.se/>

- ²² Reuters, 2010 <http://in.reuters.com/article/idINLDE66106P20100702>).
- ²³ www.attendo.nl; <https://www.sparnord.dk/investering/nyheder/news/nPRWP14.text>
- ²⁴ Press release www.bridgepoint-capital.com
- ²⁵ Bridgepoint Capital (2007) Investments portfolio <http://www.bridgepoint-capital.com/default.asp?sID=1118735596421>
- ²⁶ BUPA (2007) *Emergency Child and Home Care acquires Bupa Childcare* Press release 31 July 2007
- ²⁷ www.iss-world.com
- ²⁸ ISS Annual Report 2006 p.111
- ²⁹ http://www.groupe-korian.com/key_figures.php
- ³⁰ Korian (2007) Annual financial statement 2 April 2007
- ³¹ Korian (2007) *The Korian Group announced the acquisition of Segesta, the second biggest private player in Italy, and the acceleration of its development* Press release 2 April 2007
- ³² Korian (2007) *Strong growth in Korian's revenues (+18.5%) in Q3 2007* New developments on Segesta's Italian platform Acquisition of Phönix completed in Germany Press release 5 November 2007
- ³³ <http://www.credit-agricole.fr/banking/-:account-bank-and-business-banking-171/about-us-172/organisation-173/the-subsiidiaries-181/predica-591.html>
- ³⁴ <http://www.capgeris.com/guide-pratique/les-groupes-de-maison-de-retraite/le-groupe-medica-franchit-le-cap-des-10-000-lits-a8543.htm>
- ³⁵ <http://www.bridgepoint-capital.com/default.asp?sID=1101380725703&sArticleID=1102951262758>
- ³⁶ BC (2007) current investments www.bcpartners.com
- ³⁷ Orpea (2007) *Strong increase in 2006 results* Press release 25 April 2007
- ³⁸ Orpea (2006) *2006 Full Year results* www.orpea.biz
- ³⁹ <http://www.orpea.biz/?FInformationsGenerales&pwLang=en>
- ⁴⁰ Norlandia (2009) *Annual Report*, p. 3
- ⁴¹ Norlandia (2009) *Annual Report*, p.3
- ⁴² Sodexho (2009) *Financial report*
- ⁴³ 3 Companies cleaning up Sodexho, Compass and Aramark <http://unison3companies.org/what-unison-is-doing/>
- ⁴⁴ <http://www.barcap.com/cgi-bin/bpe/deal.pl?id=100000000000110>