

Korian in the long-term care sector: company strategy and working conditions

by

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The Public Services International Research Unit (PSIRU) investigates the impact of privatisation and liberalisation on public services, with a specific focus on water, energy, waste management, health and social care sectors. Other research topics include the function and structure of public services, the strategies of multinational companies and influence of international finance institutions on public services. PSIRU is based in the Business Faculty, University of Greenwich, London, UK. Researchers: Prof. Steve Thomas, Dr. Jane Lethbridge (Director), Dr. Emanuele Lobina, Prof. David Hall, Sandra Van Niekerk, Dr. Vera Wegmann, Dr. Yuliya Yurchenko

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This report has been commissioned by EPSU as part of the 'Project VP/2016/003/0038 'Building company networks and EWCs in health and social services.' A profile of the Korian company covering its expansion, revenues, net debt and corporate strategy is followed by a section on the workforce. This includes a workforce profile and an analysis of the results of a questionnaire survey of Korian workers.

1. Korian's corporate strategy

Korian provides nursing homes, specialised services, home care services and assisted living and shared services for older people. It employs 50,000 workers in four European countries: France, Italy, Germany and Belgium.

Korian was founded in 2003 through the acquisition of Finagest, Science, Reacti-Malt and Medideo groups. Korian signed an agreement with a property developer, Foncière des Murs, which bought 53 properties from Korian in 2004-2005. Korian then focused on running nursing homes and specialist services owning few property assets.

In 2007, Korian began to expand into the European market. Through its initial public offering, the company increased its equity capital and aimed to buy companies in

countries with similar long term care systems to France. By 2011, Korian has facilities in France, Germany and Italy.

In 2012, Korian became a *Société anonyme*. The same year, it acquired Curanum, the market leader in Germany. In 2014 Korian merged with Medica and the company became known as Korian-Medica.

By 2017, Korian had 72,000 residents and patients in Europe. The main businesses are: long-term care nursing homes; specialised clinics; assisted living and; home care networks.

2. Revenues, EBITDAR and net debt

Table 1: Revenues and EBITDAR 2016-2017 (€m)

	% change 2016/17	2017	2016	2015
Revenue	5%	3,135	2,987	2,579
EBITDAR*	3%	820	797	680
EBITDA**	4.3%	440.2	422.2	
Net profit share Korian Group	24.4%	163.3	131.3	

Source: Annual Results 2015, Korian Registration document 2017, Press release 14 March 2018,

*EBITDAR = Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring or Rent Costs

**EBITDA = Earnings less rental expenses

***Net profit/loss = a measure of the profitability of a venture after accounting for all costs and taxes.

In 2016-2017 there was a 5% growth of revenue which was a result of international expansion. 3,150 beds were added to the Korian portfolio. Although EBITDAR grew by only 3%, the net profit share of the Korian group increased by 24.4%, which is a much higher rate and may be related to acquisitions during 2016/7. The Korian group's property portfolio increased by 25%.

Table 2: Revenues by country

€ million	2017	2016	Reported change	Organic change
France	1,583	1,573	0.7%	0.9%
As % of revenue	50.5%	52.6%		
Germany	882	852	3.5%	4.0%
Italy	307	303	1.5%	0.9%
Belgium	363	259	39.8%	7.7%
Group total	3,135	2,987	5.0%	2.4%

Source: 2017 results press release 14 March 2018

Activities in France generate about half of all revenues for the Korian Group. Germany generates about a quarter of revenues with Italy and Belgium making much smaller contributions. This shows that although there has been an expansion into other neighbouring countries, France remains the main source of revenue.

Table 3: Revenues and Net Debt 2016-2017 (€m)

Korian	2017	2016	2015
Revenues	3,135	2,987	2,579
Net debt	2,340	2,315	1,644
	0.74	0.77	0.63

Source: Korian Annual Results 2015, Korian Registration document 2017,

Net debt increased between 2015 and 2016, rising from €1,644 to €2,315 but with only a slight increase between 2016 and 2017. Average debt maturity will be reached in 2021 with no major repayment before 2021. Financial debt, which excluded property debt, was €1,209 million in 2017 compared to €1,478 million in 2016. Korian issued a hybrid bond issue in June 2017 which allowed the company to diversify its sources of financing. Property debt increased from €838 million in December 2016 to €1,131 million in December 2017. This was due to debts being included in the consolidation of property acquisitions in Belgium in 2017. The ratio of revenues to net debt has increased slightly from 0.63 in 2015 to 0.74 in 2017.

Table 4: Revenues and personnel costs

€ million	2016	2017	Change
Revenue	2,987	3,135	5%
Personnel costs	-1,608	-1,728	7.5%

Source: 2017 results press release 14 March 2018

Personnel costs have risen by 7.5% between 2016 and 2017.

This reflects the continued expansion of the workforce through acquisitions but not through a wider expansion of the workforce or increased pay. The number of workers employed is difficult to establish. The 2017 Korian registration document shows that there were 44,784 workers on permanent contracts. However Korian management figures for 2018 shows that there is a total of 40,863.99 whole time equivalents on permanent and temporary contracts. The Korian Annual Report for 2018 reports 49,000 workers employed. If this figure is correct then there has been a reduction in the average annual personnel costs.

3. Shareholders

Korian reported a payment of 0.60 dividends paid per share during the last three years (Table 5).

Table 5: Dividend paid per share 2013-2017

Korian	2015	2016	2017
Dividend paid per share *	0.60	0.60	0.60

Source: Korian registration document 2017

*Dividend paid per share = the sum of declared dividends issued by a company for every ordinary share outstanding. ¹

In 2017, the total share capital was €404,911,715 and there were 80,983,343 shares. There are three main shareholders involved in pension investments, life and mutual assurance: Predica, *Investissements PSP* and *Malakoff Médéric* Group.

Table 5: Main shareholders

Shareholders	Share capital	Voting rights
Predica (<i>Credit Agricole Assurances</i> – life assurance)	22.95%	22.95%
<i>Investissements PSP</i> (Public Sector Pension Investment Board - Canadian pension fund investment manager)	13.71%	13.71%
<i>Malakoff Médéric</i> Group (Pension/ mutual insurance)	6.43%	6.43%
Free float		

Source: Korian 2017 Registration document; **Korian Annual Report 2018 CHECK**

4. Strategy

The 2016 Corporate Strategy focused on its long-term care nursing homes and specialised clinics business through an expansion of the services provided by facilities, for example, short –term stays, day care and out-patient care. It also aims to improve the quality of medical care. Korian aims to expand the development assisted living facilities and home-care services, reflecting the growing demand for home based care. It aimed to increase synergies between the network of services provided (Korian, 2017: p.9).

There are three parts to Korian’s Corporate Strategy:

- Residential care;
- Property investment;
- Additional organic growth.

Residential care

There is a growing demand for residential care as the population ages. The age at which people are entering residential care is older but the level of dependency is higher. This has implications for the type of residential care that is provided.

There are strong regulatory and inspection systems in place in the four countries which Korian is present and this may be a barrier to accessing the residential care market. At the moment, large players/ companies find it easier to enter the market. Government outsourcing and the encouragement of for-profit expansion has influenced Korian’s expansion in the last decade. Austerity policies and a reduction in government budgets has also led to new opportunities for companies like Korian.

The expansion of residential care can be sub-divided into nursing homes; home-care services and assisted living facilities. This range of services is found particularly in France. Business activities have been consolidated in Germany. After the acquisition of a new company, the parent company will aim to maximise sales and reduce costs. This involves a rationalisation of services provided by the company which involves introducing new ways of operating with a view to reducing costs.

Table 6: Tariffs for long term nursing homes

Long term care nursing homes	Source
French national Health Services	Medical care 26%
Residents and Personal Independence Allowance (PIA)	Dependency 10%
Residents rates set freely when residents admitted	Accommodation services 64%

Source 2017 Korian registration document

Table 7: Tariffs for specialised clinics

Specialised clinics	Source
Medical care and accommodation 78%	Social Security
Additional hotel services 22%	Patients (additional services for comfort services e.g.private room)

Source 2017 Korian registration document

As Table 6 shows, Korian receives more income from accommodation services than for medical or dependency care in long term nursing homes. Accommodation rates do not have any limits set by government. For specialised clinics the income from accommodation is much smaller because the bulk of the income comes from Social Security. The growing importance of home-care services and assisted living in the Korian strategy show that the company is focusing on settings where it has as much scope to charge for services as possible. Specialised clinics and nursing homes are still subject to part of their fees being set by government agencies.

Property portfolio

Initially, Korian's property strategy was to minimise the ownership of facilities. However, in the last few years, the company has changed its property strategy to increasing ownership and reducing rental costs. Property ownership consists of 16% of operating assets. The value of the property portfolio is €1,240 million, which consists of 531,000 sq. metres/ 115 buildings. Overall, Korian owns 14% of its property with 70% in France.

Table 8: Geographical division of ownership and rents

Country	Ownership	Rents
France	70%	37%
Germany	13%	41%
Italy	12%	8%
Belgium	5%	14%

Source: Korian 2017 full year results press release

Rentals form 84% of operating assets. Over 81% of rented assets are owned by institutional investors. The rentals range from 9 – 27 years. The property strategy in the next 5 years aims to increase property ownership from 14% to 20%. This increase will be financed by Real Estate Debt. In each country, a 'dedicated asset vehicle' will be set up. Rents will be renegotiated with the aim of saving 5% by 2021.

New forms of care

Korian is aiming to develop innovative therapeutic care programmes called 'Positive Care'. Other types of care will be developed through the use of digital technologies, a 'Korian Generation App' for use in French nursing homes.

5. Workforce

Table 9: Workforce, beds and facilities by country

Country	Workers - permanent contracts (2017)	Workers (2018)	Beds (2017)	Facilities (2017)	Workers: beds
France	22,439		30,053	364	0.74
Germany	16,273		28,440	225	0.57
Belgium	3,999		10,611	98	0.37
Italy	2,073		5,956	56	0.34
Total	44,784	49,000?	75,060	743	0.59

Source: Korian 2017 Registration document

Number of workers = number on permanent contracts – does not include temporary or internship contracts

Table 10: Workforce – permanent and temporary contracts

Country	Workers (2017)	Permanent contracts (2018)	Temporary contracts without apprenticeships (2018) WTEs?	Total (permanent and temporary)
France	22,439	18,883.65	350.80	19,234.45
Germany	16,273	10,186.39	4,507.21	14,639.60
Belgium	3,999	4,531.40	135.20	4,666.60
Italy	2,073	2,080.99	188.35	2,269.34
Total	44,784	35,682.43	5,181.56	40,863.99

Source: 2018 Korian management EWC

The Korian Registration document (2017) and the Korian Annual Report (2018) and figures provided by Korian EWC management show some differences in the size of the workforce, including permanent and temporary contracts. This can be interpreted in several ways: there are regular fluctuations in the size of the workforce caused by high turnover or by processes of integration into the main company. Except for Germany, the number of temporary contracts is relatively small. In Germany, 30% of workers are on temporary contracts.

France has the largest workforce. Belgium and Italy have relatively small workforces. The ratio of the number of workers to the number of beds varies from country to country with France having the largest proportion of workers per bed although this is less than the 1:1 ratio that is recommended. Belgium and Italy have much smaller ratios.

Table 11: Workforce by age

Age group	Workers (2016)	Workers (2017)
< 25	3,371	5,354
26-35	10,136	11,141
36-45	9,034	10,466

46-55	9,952	12,229
56 +	5,291	5,728
Total	37,784	44,918

Source: Korian 2017 Registration document

The majority of the workforce is aged between 26 and 55. There were small changes between 2016 and 2017 with the largest increase in the age group 46-55. The smallest group is aged less than 25, which indicates that young people are more difficult to recruit. Korian has recently set up a “Geriatric Care Passport” which is the first certified training course in France which will allow for training to be recognised for specific skills required by for working with older people. These cover care and well-being, therapeutic programmes/ continuity of care, everyday care and support. ²

Table 12: Gender composition of workforce

	2017	2016
Women	36,989 (82%)	31,319 (83%)
Men	7,928 (18%)	6,465 (17%)
Total	44,917	37,784

Source: Korian Registration document

In 2017, 82% of the Korian workforce were women, with only a slight decrease from 83% in 2016.

Table 13: Recruitment and dismissals

	2017	2016
Recruitment	7,941	7,809
Dismissals	3,948	3,006

Source: Korian Registration document 2017

There was a slight increase in recruitment numbers of 132 on indefinite contracts but a larger increase in dismissals of 942, which was a 31% increase on 2016. Dismissals also include data for Germany which includes end of probation periods, dismissals and negotiated departures.

Table 14: Absentee levels

Country	2017	2016
France	9.49%	8.33%
Belgium	5.34%	12.52%
Italy	4.93%	4.19%

Source: Korian Registration document 2017, 2016

In 2017 the absentee rate for France was higher than for Belgium and Italy but data for 2016 shows a different picture when a different method of calculating absenteeism was used.

Survey results

Sixteen questionnaires were returned from French affiliates. Seven questionnaires were fully completed, five questionnaires partially completed and six shorter questionnaires completed. Even with these different types of response some trends emerged.

Social dialogue in Korian

Although the majority of respondents reported that they were members of a trade union and covered by either workers councils and/or collective bargaining agreements, many respondents did not feel that social dialogue was respected by Korian management. Many agreements were not respected and were often not understood. Respondents felt that there was a difference between what is supposed to happen and what actually takes place. There is too much pressure.

Management changes

The majority of respondents felt that new forms of management had been introduced to their facilities. These had resulted in increased changes in work, increased work pressures, slower replacement of care workers, increased flexibility and versatility and more hierarchy. Many reported that there was a devaluing of work. Although there were regular training sessions and annual training reviews, the training received was infrequent.

Lack of staff

The majority of respondents felt that there were not enough staff. This applied to care workers and more specialised staff. Often five workers have to deal with 84 patients during a day, with one care worker responsible for 17 patients. Budget cuts have resulted in 80% of nurses being replaced by less specialised workers. Staff are not replaced when they leave.

The staff shortages are reflected in poor occupational health and safety standards. Staff have to deal with verbal aggression and an increase in accidents. Management puts added pressure on workers. There are frequent stoppages with repetition of tasks. There is a growing incidence of occupational health conditions.

European Works Council

Respondents were mixed about whether a European Works Council would help address the problems in the workplace. Some felt that it would help them but many didn't know. These attitudes were informed by strong feelings about how Korian management was uncaring and

lacking in respect for workers. Higher salaries were needed, combined with improved working conditions. Staff should be replaced when leaving or on holiday/sick leave.

6. Conclusion

There are several problems and challenges for trade unions that emerge from this analysis of Korian:

- **Expansion:** There are pressures to expand in competition with other social care MNCs, e.g. ORPEA, and so it is important to understanding and receive briefings on future corporate strategies and any restructuring that may follow.
- **Acquisitions:** Much of company expansion takes place through acquisitions of companies, which will result in a process of integration into the company. This has implications for how workers are managed, the introduction of new ways of working and a target to cut costs.
- **Debt:** Korian has adopted a new property strategy to increase its property ownership of facilities in order to reduce dependence on rents. This involves raising capital to pay for an expanded property portfolio and increasing the levels of debt. This has implications for the sustainability of the company.
- **Pressure for profits and increased capital accumulation:** This results in constant pressure to reduce labour costs because they form a large part of annual revenues.
- **Expanding workforce:** This places pressure on recruitment and retention which will require more workers to be organised.

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¹ Investopedia(2018) Dividend per share <https://www.investopedia.com/terms/d/dividend-per-share.asp>

² Korian 2018 Annual Report