



MANAGEMENT OF SERVICES IN A CHANGING SOCIO-ECONOMIC CONTEXT

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JOS STERCKX
KNOWLEDGE CENTER SOCIAL EUROPE

Europe's position on social services management

- **Social policies are the competence of the member states**
- **But: social services are businesses! Basis principles of the EU-economy:**
 - Free movement of services, goods and persons is best guarantee to create welfare and peace
 - Open market economy: best guarantee to have the cheapest price for the best offer
 - Market regulations (only) if necessary
 - Globalisation of the economy, trade and society is an opportunity for the EU economy (and adds to create welfare and peace)
 - Standardisation helps developing (international) markets
→ also tendency in social services markets!

Services delivery is a (cross border) market

- State aid rules apply to social services. Personal budget systems to overcome state aid restrictions!
- **No** obligation for authorities to appoint the contracting partner by tendering, but it is preferable (no discussion on the price)
- Concessions always limited in time
- No conditions to 'exclude' (new) market players (eg 'not for profit') or to benefit (existing) players

Conclusion: tendency to open the market by public procurement

Interest of authorities to open social market

- Social budgets under pressure: waiting lists, aging population, increasing health cost, but also populism → authorities want to decrease price/increase availability of services (despite effects on quality and accessibility)
- Right wing policies are less in favour of public services & social spending
- In some regions close relations between social sector and 'traditional' political parties. 'New' majorities try to break down these relations.

Conclusion: authorities can benefit from opening the markets

New investment models

- New technologies in care and welfare: need for investment and change of business models. But objection from traditional service providers
- Investment in infrastructure: public private partnerships. Investment companies as new partners!
- Big data as instrument for allocation of services

Conclusion: 'Traditional' service providers are not interested or skilled in these new models + no budget for investment available. This opens opportunities for new players.

Facility management companies

- Facility management companies: cleaning, catering, safety, recruitment, consultancy, ... Often multinational companies (and investment structures behind them)
- Strategy: roll out existing business models in new markets if profit making potential
- Given big budgets in care: interesting target! *Active strategy of (multinational) service companies to get access to social services market... at least for the parts with financial potential (cherry picking).*

Facility management companies

Strategies:

- Enter the market with low prices and increase prices when a strong position is reached
- Only interested in the financial potential (active prospection)!
- Business image: corporate governance, ecology, social responsibility, Being active in the care sector helps!
- Market access via acquisitions, partnerships (buy in, joint ventures) or subcontracting
- Lowering prices by performant production: ICT-systems, big volumes, lower wages, lower skilled staff, scale effects, standardisation, services limited to the contractual obligations

With this strategy: 'objective partners' within the EU-strategy, the needs for investment and cost reduction of national authorities, new relations between services sector and authorities

Facility management companies

Consequences:

- (Multinational) services companies are NOT aiming to break down the social system, but in the opposite: get access to these new lucrative markets
- The services market are a fast growing international market. This is why they are important chapters in international trade agreements (TTIP, Ceta, Tisa). This is how multinational companies are 'supporting' their national businesses to get access to these new markets.
- When the COM says that public services are excluded from trade agreements, they mean that authorities still can develop their social policies, but always within the EU-market framework and budget constraints (EU semester)

Conclusion

- The European social model will survive, but fundamental changes to be expected
- For profit service companies are actively entering the social services markets. This is a 'one way strategy' (no way back when markets are opened)
- Strategic choices for traditional social services
 - Become niche players: activities with less 'bulk work', high competences, not profitable target groups of activities, ...
 - Joint ventures with facility management companies
 - Increase operational scale and act as social enterprise! (at least at regional/national level)
 - Active research and development



Knowledge Center Social Europe *Jos Sterckx, director*

Mobile +32 (477) 44 97 14 -- jos.sterckx@kcse.eu

Kolonel Bourgstraat 122 bus 4 te 1140 Brussel

T +32 (2) 205 00 45 - [Http://www.kcse.eu](http://www.kcse.eu)