



Corporations Cleaning Up

The outsourcing companies profiting on
poverty wages

RMT Report October 2022

“We are seeing significant investor interest in FM [Facilities management] and the wider business services sector due to the essential nature of the services they provide, ensuring visibility of income at time of significant uncertainty in the wider market.” Usman Malik, Partner and Head of Business Services at Grant Thornton UK LLP¹

“We have delivered a strong performance in HI across all our divisions as the addition of Interserve Facilities Management and the contribution from COVID-related contracts boosted the performance of our business. We are beginning to generate good free cash flow and our new long term financing arrangements reflect our strengthened balance sheet and BBB credit rating. With our underlying business back to pre-COVID levels, we have reinstated our interim dividend”.² Phil Bentley, Group Chief Executive, Mitie, November 2021.

¹ <https://bdaily.co.uk/articles/2022/07/11/grant-thornton-leads-on-strategic-sale-of-incentive-fm-group>

² https://www.mitie.com/wp-content/uploads/2021/11/Mitie_HY21-22_Regulatory_Announcement.pdf

Introduction

In our earlier report ‘Cleaning up the Railways’, RMT exposed the level of outsourcing in cleaning on the rail network. We also showed how the weaknesses and costs of this model of service provision had been exposed by the Covid pandemic.³

Because outsourcing fragments services, train operating companies, for example, had little knowledge of what cleaning was taking place and how many cleaners were working to provide this essential service.

Rail cleaners reported that they did not have enough staff working on their contracts, a consequence of the actions of outsourcing companies, who seek profits by driving down labour costs by holding down pay, which creates regular turnover of staff, and by cutting jobs.

However, as our new report shows, for the companies themselves, the pandemic has been pretty good for the facilities management business. For these companies Covid has meant new and renewed contracts to provide enhanced services, at least in theory. And as we’ll see this is good news for shareholders and executives but has meant little or nothing to the cleaners on the ground.

Having a Good Pandemic - Profits trebled last year and doubled since 2019

RMT analysed the accounts of seven facilities management companies with contracts on the railways to see how they have fared during the pandemic and subsequent cost-of-living crisis.

We found that the companies we looked at made net profits after tax of £32 million in 2020 but that these **profits trebled to £101 million in 2021**. All but one company recorded bigger profits in 2021 than in 2020 (Table 1).

Perhaps more interesting was the fact that they also **all made bigger profits in 2021 than in 2019, the year prior to the pandemic**. In aggregate their profits for the year more than doubled on those from 2019.

These increased profits led to higher overall dividend payments. Five of the seven companies paid dividends during the two pandemic years. Dividend payments overall for the seven companies were many times higher in 2021 than in the pandemic year but they were also three times the size of payments in 2019 (Table 2).

- Atalian Servest paid dividends in both years totalling more than £22 million. It has also paid interim dividends worth £8 million in 2022.
- Mitie plc paid a dividend of £25.2 million in 2021-22 after missing a year in 2020.
- Bidvest Noonan paid a dividend of £14.6 million the same year.

³ <https://www.rmt.org.uk/news/rmt-publications/cleaning-up-the-railways/>

Table 1: Profits before, during and after the pandemic⁴

Profits for the year			
	2019	2020	2021
Mitie Plc	£40,500,000	£37,400,000	£50,700,000
ISS UK Ltd / Facility Services Ltd	-£15,584,000	-£27,677,000	£19,229,000
Atalian Servest Ltd	£5,900,000	£4,000,000	£6,000,000
ABM Facility Services	£3,855,000	£6,243,000	£8,183,000
Churchill Group	£6,178,251	£6,966,608	£10,870,515
Bidvest Noonan UK Ltd	£4,674,903	£4,763,952	£5,963,000
Carlisle Group	£314,000	£1,146,000	£743,000
TOTAL	£45,838,154	£32,842,560	£101,688,515

Table 2: Dividends before, during and after the pandemic

Dividends			
	2019	2020	2021
Mitie Plc	£14,400,000	£0	£25,200,000
ISS UK Ltd / Facility Services Ltd	£7,500,000	£0	£24,835,000
Atalian Servest Ltd	£0	£10,800,000	£11,600,000
ABM Facility Services	£0	£0	£0
Churchill Group	£0	£3,871,700	£0
Bidvest Noonan UK Ltd	£0	£0	£14,620,000
Carlisle Group	£0	£0	£0
TOTAL	£21,900,000	£14,671,700	£76,255,000

The cleaning rich list

It's been a good time for the cleaning rich list too. The CEOs of Mitie and ISS at group level both saw double digit, inflation busting pay rises. ISS's Jacob Aarup Andersen got £1.8

⁴ 2019-2022 Annual Reports and Companies House reports for Mitie Plc (<https://www.mitie.com/results-reports/>), ISS Facility Services Ltd (<https://find-and-update.company-information.service.gov.uk/company/00890885>), ABM Facility Services Ltd (<https://find-and-update.company-information.service.gov.uk/company/03461565>), Atalian Servest Ltd (<https://find-and-update.company-information.service.gov.uk/company/06355228>), Churchill Contract Services Group Holdings Ltd (<https://find-and-update.company-information.service.gov.uk/company/07317156>), Bidvest Noonan (UK) Ltd (<https://find-and-update.company-information.service.gov.uk/company/05049403>), Carlisle Support Services Group Ltd (<https://find-and-update.company-information.service.gov.uk/company/07880629>)

million in 2021, but the standout winner was Mitie's Phil Bentley whose remuneration package was worth £3.8 million last year.

One step down at the level of the main facilities management subsidiaries, managing directors at Atalian, ABM, Bidvest Noonan and Carlisle all saw double-digit inflation-busting pay rises with Atalian Servest's managing director getting a 32% pay rise that took him up to £1.7 million. This is based on the anonymised remuneration figures for the Highest Paid Director contained in statutory accounts, matched to the named Managing Director of each company.

Table 3: The cleaning company rich list

The cleaning company super-rich	CEO/MD	2020	2021	Increase	Increase
Mitie Plc	Phil Bentley	£2,841,623	£3,869,476	£1,027,853	36%
ISS A/S	Jacob Aarup Andersen	£1,625,705	£1,868,627	£242,922	15%
ISS Facility Services	Elizabeth Benison	£407,000	£366,000	£-41,000	-11%
Atalian Servest Ltd	Daniel Dickson	£1,340,300	£1,768,424	£428,124	32%
ABM Facility Services	John McPherson	£229,000	£286,000	£57,000	25%
Churchill Group	Joel Briggs	£246,859	£259,320	£12,461	5%
Bidvest Noonan UK Ltd	Jeff Flanagan	£197,000	£345,000	£148,000	75%
Carlisle Group	Michael Shirt	£233,000	£283,000	£50,000	21%

Market domination and financial engineering among the facilities management companies: Mergers, acquisitions and share buybacks

This increased profitability of facilities management and the opportunities to be made from the need for cleaning during the pandemic may well explain why there has been a spate of buyouts, takeovers and measures designed to manipulate share prices among the facility management companies.

- In March 2020, Churchill secured private equity fund investment from a fund named ESO Investco VII Sarl, managed by Soho Square Capital Partners and from Intertrust UK Ltd, a subsidiary of Intertrust UK.⁵
- In February 2021, South African outsourcing conglomerate Bidvest used its Irish subsidiary Bidvest Noonan to acquire Axis Contract Services.⁶

⁵ [Our investments | Soho Square \(soho-sq.com\)](#)

⁶ [FSM - Bidvest Noonan acquires specialist support services concern Axis Group \(fsmatters.com\)](#)

- In July this year, Atalian Servest's parent company the French outsourcing giant Atalian Group announced that it had received an offer of acquisition from private equity fund Clayton Dubilier and Raice (CD&R) and merged with OCS Group International.⁷
- In June 2022, Mitie announced a £50 million buyback of its own shares. Share buybacks are a technique of financial engineering that boosts share prices by reducing the stock of available shares and its asset base. A rising share price is good news for a company looking for finance or, for executives like Mitie's Phil Bentley, whose pay is tied to share price performance.⁸

Conclusion – It's a class struggle, stupid

Cleaners on rail are typically paid at around the same rates as cleaners elsewhere in the economy. That means they are paid at or around the National Minimum Wage of £9.90 an hour or at best the Real Living Wage, currently set at £9.90 an hour and due to rise by next May to £10.90. Cleaners get no company sick pay, most of them get no travel facilities and no decent pension provision. Their experience of the pandemic and the subsequent cost of living crisis has been very different. As we will show in a subsequent report, their pay has been held down, losing value radically and throwing them even further into economic distress. One class of people has enriched themselves at the expense of the people who make their wealth and who took the risks with their lives during the Covid pandemic. Cleaners deserve a better deal. They deserve higher pay, proper sick pay provision, decent pensions and they should be in-sourced as fast as possible.

⁷ [DOSSIER DE RENOUVELLEMENT \(atalian.com\)](https://www.atalian.com/en/press-releases/2022/07/20/atalian-mergers-with-ocs-group-international)

⁸ [Mitie-Full-Year-Results-2022.pdf](#)