



Mini Presentation ISIC 812 Cleaning Activities

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Ruth Vizner, CBS Israel



Topics

- Introduction
- Definition of the service
- Pricing Unit of Measure
- Market condition
- Classification
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Introduction

- The development of the index for Cleaning Activities started in 2006
- The index is published since 2008 on a quarterly basis and in reference to the year 2007 = 100.0
- The main purpose is for the deflation in National Accounts.
- And to increase the coverage of SPPI



Definition of the Service

- general interior cleaning of all types of buildings: offices, factories, shops, institutions and others;
- exterior cleaning of buildings
- specialized cleaning activities for buildings or other specialized cleaning activities, cleaning of industrial machinery, cleaning the inside of road and sea tankers, disinfecting and extermination activities for buildings and industrial machinery, bottle cleaning, street sweeping, snow and ice removal



Pricing Unit of Measure

Time based

- an hour of cleaning
- a global monthly rate
- Frequency of cleaning

By size of building

- Size in square meter
- Number of rooms



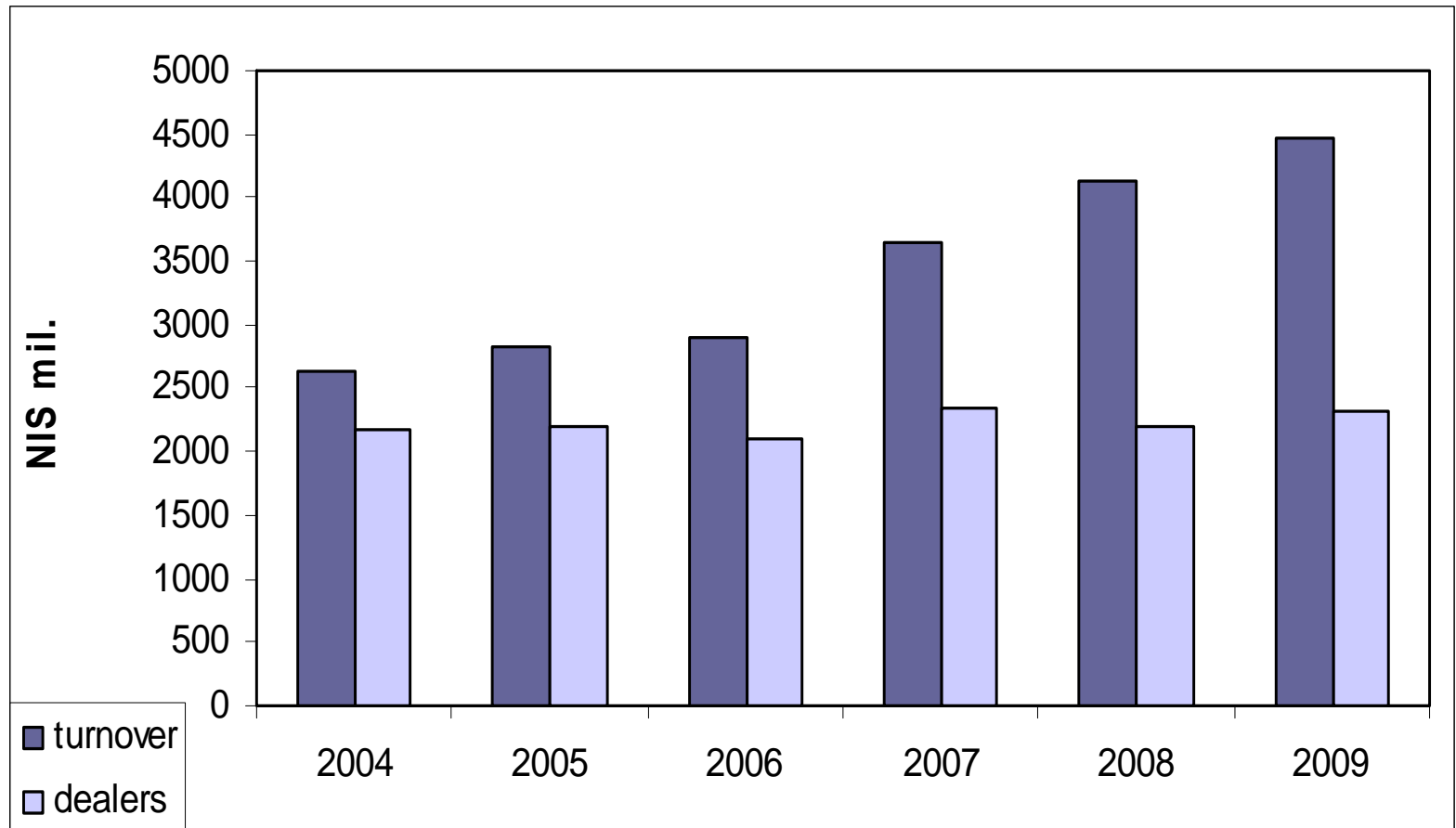
Market Conditions

Size of Industry, 2009

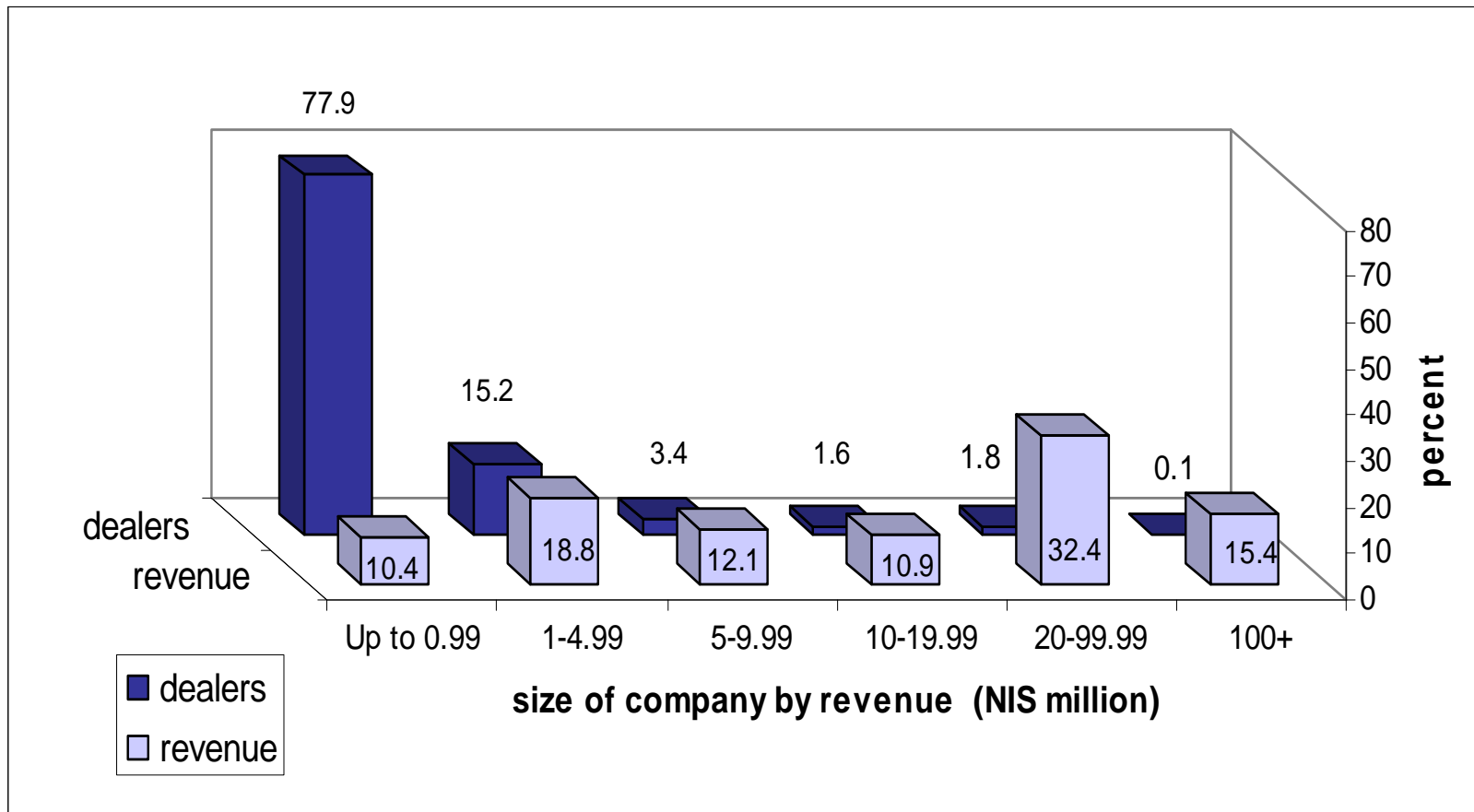
- 4,467 million NIS (about 1,117 million USD)
- 2,327 companies
- Market share of 7 big companies ~ 20%
- 52,000 employee jobs
- Companies provide a full set of building maintenance services, especially cleaning and security services.

Cleaning activities in Israel

turnover and dealers



Distribution by Size Groups of Revenue 2009





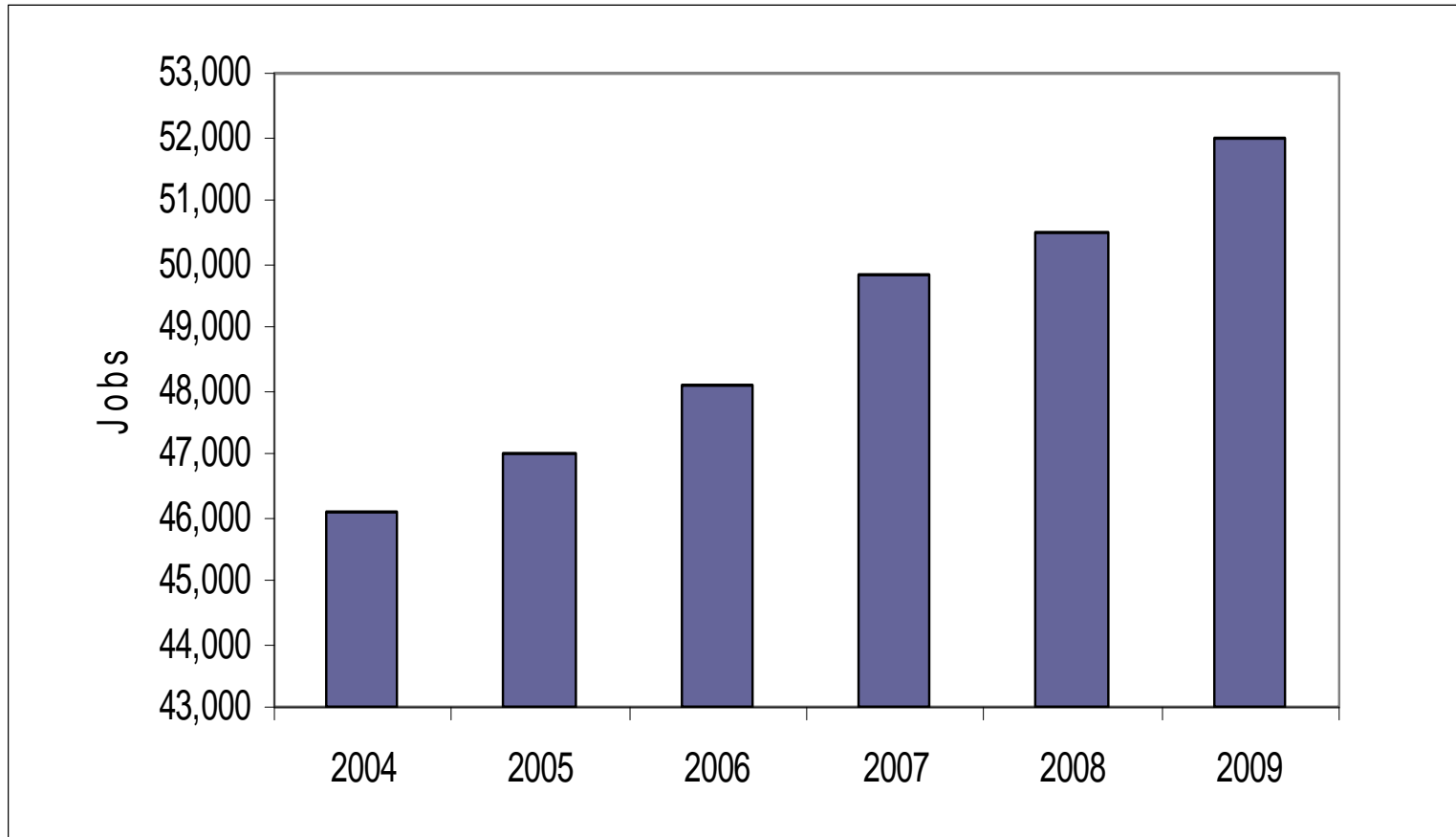
Market Conditions

labor

- Highly labor-intensive industry
- High representation of women, immigrants, students, young and uneducated
- High representation of women in general cleaning of buildings ~ 65%.
- In specialized cleaning (window cleaning, street sweeping, extermination) most of workers are men
- Cheap labor- earn minimum wage salaries ~ NIS 3,850 per month (about 1,000 USD)

Market Conditions

development of employee jobs





Market Conditions

Customers

- **The public sector** - mainly government ministries and local authorities for cleaning offices and educational premises. (50% of all transactions)
- **The private sector** - divided into big companies, including banks, hospitals, commercial buildings, chain stores and industrial premises; and small businesses, such as restaurants and shops.



Special Conditions and Constraints

- From 2010 cleaning companies will have to register and post a bond to get a formal license from the ministry of trade in order to operate.
- An association of cleaning firms was founded - take care of the firm's interests
- Competition is very intense due to the low entrance barrier and the importance of the price factor
- In order to compete firms invest in equipment and materials and in technical developments and innovations
- Big companies have branches all over Israel



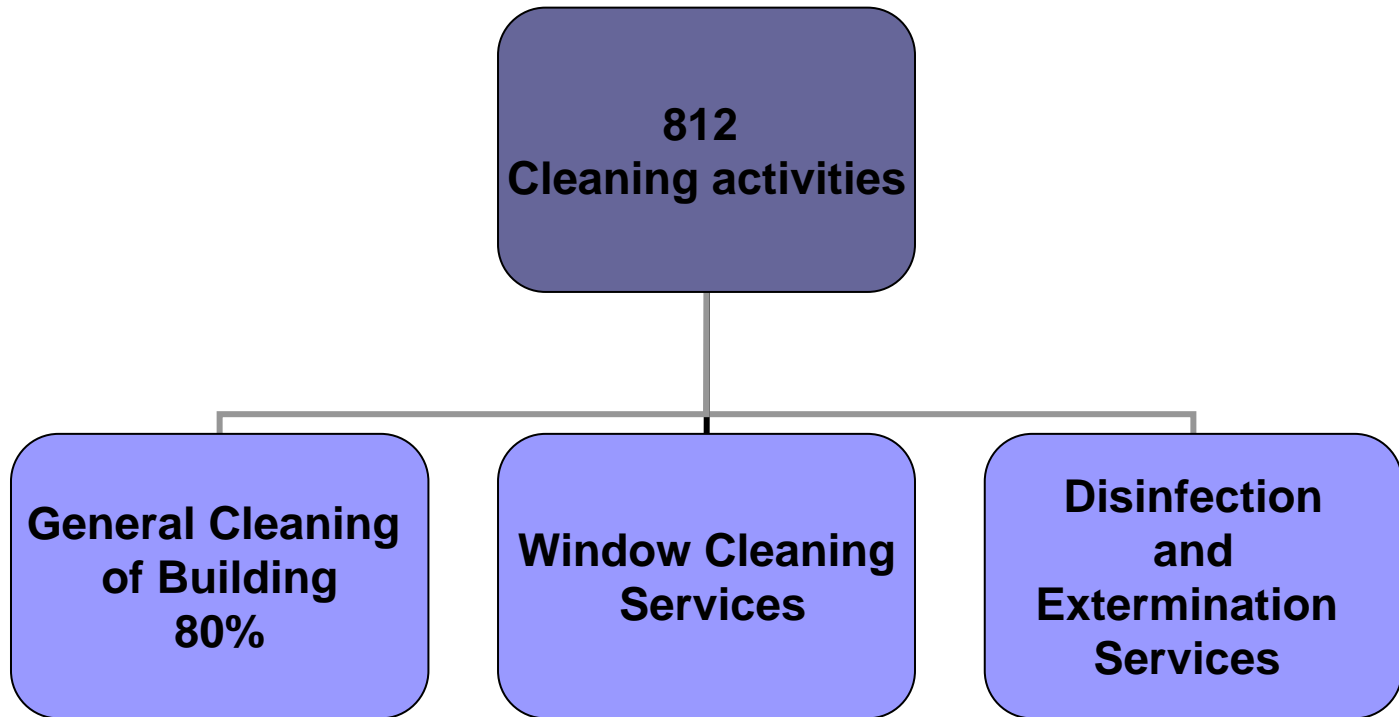
Classification - CPC

Description	code
Cleaning services	853
Disinfecting and exterminating services	8531
Window cleaning services	8532
General cleaning services	8533
Specialized cleaning services	8534

Classification - ISIC Rev.4

Description	code	services
Cleaning activities	812	
General cleaning of buildings	8121	General cleaning of all types of buildings
Other building and industrial cleaning activities	8129	exterior cleaning of buildings specialized cleaning activities for buildings. (window, chimney, fireplaces, stoves, furnaces, incinerators, boilers, ventilation, Swimming pool, industrial machinery, trains, buses, planes, Disinfecting and exterminating, Street sweeping, Snow and ice removal and other

Index Aggregation Structure



Other activities included in specialized cleaning such as cleaning of chimney of fireplaces, stoves, furnaces, are of relatively low importance and therefore have not been included in the index

The biggest sub-group is general cleaning of buildings - 80% of the group 812



Pricing

Contract pricing

Long-term contracts with price escalation are the prevailing pricing mechanism. The contracts are the result of firms competing for tenders; usually the firm that offers the lowest price wins the bid.

Most contracts are adjusted to variations in the cost-of-living and minimum wage regulations.

Contracts are selected in cooperation with companies. The contracts include a description of the service, the duration of the contract and the client.



Pricing

hourly rates

The second mechanism of pricing is based on working time; these are transaction rates, usually hourly rates, that specify the kind of service, type of building, time of the day and if prices include materials or not.

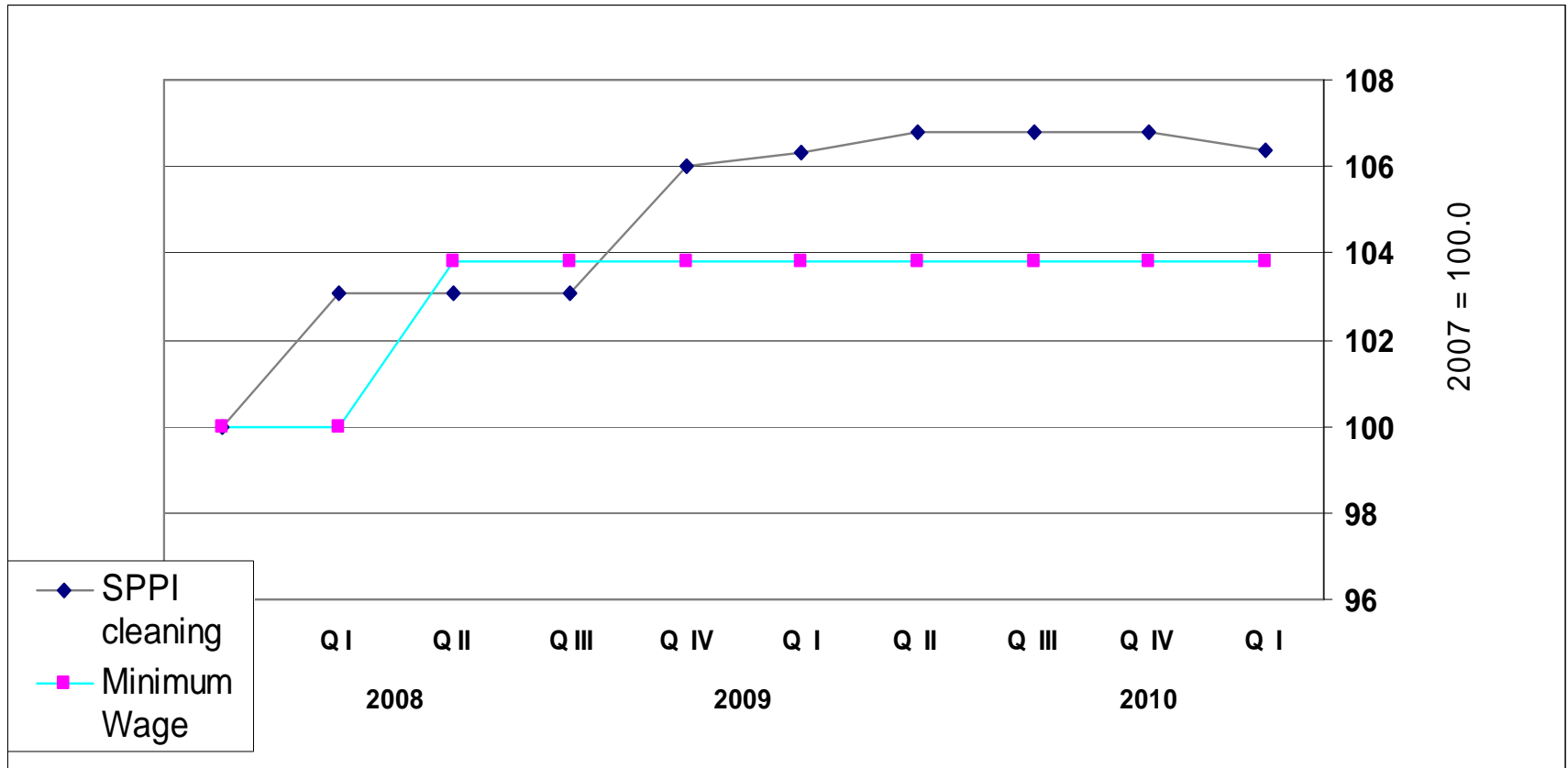
price determining factors

- Type of cleaning (general, windows)
- Type of building (office, hospital, enterprise)
- Time of day (morning, evening)
- Materials - included or not (paper, chemicals, toilets)
- Size of the building in sq. m.



Results

SPPI for cleaning activities and minimum wage Index



Most contracts are adjusted to variations in the cost-of-living and minimum wage regulations, as the payment is mostly for labor. Other less important costs are materials (paper, toilets, chemicals)



Quality Adjustments

Changes in quality between new and old contracts caused by dissimilarities are a potential problem.

Close contact with the respondents assures being informed about any changes in the specifications of the contracts.

If a contract is discounted a substitution is needed; if there is any change in the quality of the service, an adjustment for quality must be made.



Evaluation of Comparability with Turnover Output Measures

STS - SHORT TERM BUSINESS STATISTICS

- Monthly Revenue Indices for Trade and Services based on reports to the VAT authority
- Annual Survey of Trade and Services based on the annual financial reports submitted to the Income Tax authorities.
- Turnover data for industry level only (at the 4-digit level)



Summary

- SPPI for cleaning services has been developed and published since 2008 on a quarterly basis.
- The index is been used for the deflation in National accounts.
- The index is divided into three service types: General cleaning of buildings, Window cleaning and Disinfection and extermination.
- Contract pricing is the main pricing method.
- contracts are adjusted to variations in the cost-of-living and minimum wage.
- substitution of contracts is made with adjustment for quality change.
- The price determining factors are: Type of cleaning, Type and Size of the building, time of the day and Materials.



Thank You Very Much!