Mini Presentation
ISIC 812 Cleaning Activities

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Topics

- Introduction
- Definition of the service
- Pricing Unit of Measure
- Market condition
- Classification
- Pricing methods
- Quality adjustment
- Results
- Summary
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

![Bar chart showing cleaning activities in Israel from 2004 to 2009]
Distribution by Size Groups of Revenue 2009

- Dealers: Up to 0.99 - 10.4
- Dealers: 1-4.99 - 15.2
- Dealers: 5-9.99 - 3.4
- Dealers: 10-19.99 - 1.6
- Dealers: 20-99.99 - 1.8
- Dealers: 100+ - 0.1

- Revenue: Up to 0.99 - 18.8
- Revenue: 1-4.99 - 12.1
- Revenue: 5-9.99 - 10.9
- Revenue: 10-19.99 - 32.4
- Revenue: 100+ - 15.4

Size of company by revenue (NIS million)
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs</th>
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<tbody>
<tr>
<td>2004</td>
<td>46,000</td>
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<tr>
<td>2005</td>
<td>47,000</td>
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<tr>
<td>2006</td>
<td>48,000</td>
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<tr>
<td>2007</td>
<td>49,000</td>
</tr>
<tr>
<td>2008</td>
<td>50,000</td>
</tr>
<tr>
<td>2009</td>
<td>51,000</td>
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</table>
Market Conditions

Costumers

- **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 Constrains

- 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

<table>
<thead>
<tr>
<th>Description</th>
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<tr>
<td>Cleaning services</td>
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<td>Disinfecting and exterminating services</td>
<td>8531</td>
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<td>Window cleaning services</td>
<td>8532</td>
</tr>
<tr>
<td>General cleaning services</td>
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<td>Specialized cleaning services</td>
<td>8534</td>
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## Classification - ISIC Rev.4

<table>
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<tr>
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<td>Cleaning activities</td>
<td>812</td>
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<tr>
<td>General cleaning of buildings</td>
<td>8121</td>
<td>General cleaning of all types of buildings</td>
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<tr>
<td>Other building and industrial cleaning activities</td>
<td>8129</td>
<td>exterior cleaning of 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)</td>
</tr>
</tbody>
</table>
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.
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.
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 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!