Cleaning session

Vienna 2010
› Papers on turnover
  – Daniela Röstel  Germany
  – Hanna Fischer  Germany
  – Jakob Kalko   Norway
  – Noortje Urlings  Netherlands
  – Fintan van Berkel  Netherlands

› Papers on SPPI
  – Ruth Vizner  Israel
  – Jonas André Hansen  Norway
  – Suzanne Lorenz  Germany
  – Christian Stock  Austria
Cleaning services

› These are the first papers on this activity

› And may be one of the first activities to be outsourced in the modern economies.
Cleaning services

› No difficulty about classification
› NACE rev2:
  – 81.10 combined facility services
  – 81.21 general cleaning of buildings
  – 81.22 other building and industrial cleaning activities
  – 81.29 other cleaning activities
Cleaning services

› But household related services? (Ger)
  – Household chores, laundry, gardening, child care…
  – Generally excluded
Cleaning services

› 81.10 : a new activity?
› Not everywhere : in Norway, Austria, this turnover is about 30% of the turnover of 81.20
› In France 5%
› The conclusion of a bundle process?
   – Cleaning, security, plumbing, canteens, caretaking, air conditioning,…
› Towards a global service? (general trend?)
Cleaning services

Characteristics of this market:

– Very hard competition due to low entrance barrier
– Highly labour-intensive sector (wage=80% of cost)
– Low-education of employees (NL survey)
– Unskilled employees
– Often from foreign origin
– Women working in part time
– (men for specialised cleaning)
– Flexible schedules
– Sensitive to level of wages
– Pressure on prices
Cleaning services
different prices methods

› 81.21: general cleaning services
   – Contract prices (Ger, Nor, Isr)

› 81.22 : other building and industrial cleaning activities
   – Window cleaning (Ger)  model pricing

› 81.23 : other cleaning activities
   – Means of transportation contract prices
   – or unit values
Due to the number of characteristics which impact the contract price \( (\text{SL p9}) \), are we sure to appreciate all corrective changes on the contract?

Do we know all those characteristics for each contract?

Are they written on the questionnaire?

Do we always know when and why they change?

And what do we do, then?

– Quality adjustment \((\text{Ger})\)? based on m², hours?

– Explicit / implicit?\((\text{Ger})\)

– Overlap?
Cleaning services

› Companies are getting bigger. (many mergers and acquisitions)
› When questionnaires are sent to the headquarters, the respondent doesn’t always know the detailed characteristics of the contract which is probably managed by a remote affiliate company.
› This is a prejudicial loss of information inside the company, and also for us.
Cleaning services

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› This output deflator is also the intermediate consumption deflator.
› (output = IC)
› If we don’t track contract prices paid by the consumer, are we sure to calculate a good IC deflator?
› Problem when a consumer changes its cleaning provider.
› (in this sector, the service is always unique, but many companies are able to do it)
Cleaning services

Pure prices can stay stable. If the consumer changes its contract for a cheaper one, the price for the consumer decreases.

But price for producer doesn’t move.

When the market is very competitive, a quick change from a provider to another is possible, specially when the contract period is short (1 year).

« sold » contracts versus « bought » contracts.

Reweighting is not the solution.

Towards tracking purchase prices?
## Cleaning services / When a customer changes its provider for a cheaper one:

<table>
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<tr>
<th>SPPI</th>
<th>nb clients</th>
<th>price per contract</th>
<th>weight</th>
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<td></td>
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<tr>
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<td>80</td>
<td>10</td>
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<table>
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<th>100</th>
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<td>Q2</td>
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<td>Q4</td>
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</tbody>
</table>

| Purchase indice  | 100 | 100 | 100 | 95  |
Cleaning services

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› A solution would be to use representative average prices
  – by m², by room, by floor, hourly rates…
  – by garbage can …

› But those unit values are never homogeneous
  – Day 1  hoovering and cleaning of the desktop
  – Day 2  cleaning the windows
  – Day 3  wiping first and then cleaning the stairs
  – Day 4  …
Cleaning services

When we track contract prices, stay closer to what the customer wants
To avoid abusive volume...
The use of a high-performance equipment is not necessarily a gain for the customer (compact scrubber, high resistance filters...)

– Speed of cleaning has no impact on service quality
– Number of employees working for a contract in a building has no impact on the price
Cleaning services

› Contract prices can stay stable, but the volume of services increases (5 cleanings by week instead of 4).

› This is a decrease of price, even if the contract price stay the same. But we often only contact the company when the price changes…

› Are our indices systematically too high?
  – Germany in 4 years +4%
  – Israel +6% (3 years)
  – Austria +10%
  – Netherlands +10%
  – France +11%
  – Norway +21%
Cleaning services

Cleaning and sustainability
- Training the employees
- Ecolabel
- Use of chemical products
- Washwater recovery
- Ecologic vacuum
- Schedule (working during office hours or at night?)
- Are Trade Unions accepted (cf Dutch strike)
- Biodegradable products, safety, personal development with internal promotions

Is it considered as a quality change?

Is sustainability in the quality? So in the volume?
Cleaning services

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› Effect of the crisis or competition?
› 1/ companies try to offer more services than just cleaning (paint, metal work, electricity, post, host, ...).
  – Towards 81.10 (facilities services)?
  – How is it managed?
› 2/ customers are more demanding (cleaning and security for airplanes – seat patting)
› 2/ but firms internalize again part of the services or put pressure on prices
Cleaning services

Indices are also used to index contracts

– Example FR

- Cleaning index 81.20
- Cleaning index for public markets
- Cleaning index for private markets
- Cleaning of offices
- Cleaning of commercial premises
- Common spaces of dwellings
Cleaning services

9. The sector/product matrix is not diagonal (exemple of France 2008)

<table>
<thead>
<tr>
<th>sector</th>
<th>product</th>
<th>sum</th>
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</thead>
<tbody>
<tr>
<td>others</td>
<td>0%</td>
<td>4%</td>
</tr>
<tr>
<td>36-38 waste...</td>
<td>0%</td>
<td>7%</td>
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<tr>
<td>8121</td>
<td>97%</td>
<td>38%</td>
</tr>
<tr>
<td>8122</td>
<td>2%</td>
<td>50%</td>
</tr>
<tr>
<td>8129</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

| turnover (millions €) | 4 900 | 1 179 | 955 | 7 048 |
› Thank you