



**30th Voorburg Group Meeting
Mini Presentation for SPPI on Office
Administrative Services**

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1. Introduction

Office administrative services is a growing industry and consists of businesses that provide a range of everyday office administrative services such as clerical, billing and record keeping, and also payroll services on a contract or fee basis. The aim of these businesses is to provide support for the operation of a business but do not provide staff to carry out all operations of a business.

This paper provides a brief overview of the industry defined in the International Standard Industrial Classification (ISIC Revision 4) for Group 821 Office administrative and support activities and the issues involved in measuring its outputs. The Australian Bureau of Statistics (ABS) does not currently publish a producer price index for ISIC Group 821. The ABS is however developing a price index within the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC 2006) for class 7291.

2. Standard classification structure

The ABS compiles producer price indexes (PPIs) using the Australian and New Zealand Standard Industrial Classification 2006 (ANZSIC 2006). Table 1 below, shows a summary of part of the classification structure for Group 729 Other Administrative services within ANZSIC 2006 and ISIC Revision 4 for Group 821 Office administrative and support activities.

2.1 ISIC vs ANZSIC

ISIC Rev. 4 class 8211 – Combined office administration service activities closely corresponds with ANZSIC 2006 class 7291 Office administrative services (refer to Table 1 below). Class 8211 includes: the provision of a combination of day-to-day office administrative services, such as reception, financial planning, billing and record keeping, personnel and physical distribution (mail services) and logistics for others on a contract or fee basis.

This class excludes: Provision of operating staff to carry out the complete operations of a business; and Provision of only one particular aspect of these activities. The standard classification in ISIC Rev. 4 and ANZSIC 2006 is provided below:

Table 1: Classification structure: ISIC Revision 4 versus ANZSIC 2006

ISIC Rev 4 Div N Administrative and support activities	ANZSIC 2006 Div N Administrative and support services
Subdiv 82 - Office administrative, office support and other business support activities	Subdiv 72 - Administrative services
Group 821 - Office administrative and support activities	Group 729 - Other administrative services
<ul style="list-style-type: none">• Class 8211 - Combined office administrative service activities• Class 8219 Photocopying, document preparation and other specialized office support activities	<ul style="list-style-type: none">• Class 7291 Office administrative services• Class 7292p* – Document preparation services• Class 5101p* - Postal services

partial correspondence (denoted by 'p') is an indication that only part of that particular ANZSIC class corresponds to the other ANZSIC class

ANZSIC 2006 class 7291 Office administrative services consists of units mainly engaged in providing a range of day-to-day office administrative services such as clerical, billing and record-keeping, and payroll services on a contract or fee basis. These units support the operation of a business but do not provide operating staff to carry out the complete operations of an organisation.

Activities primary to this class are:

- Billing and record-keeping service
- Business administrative service
- Clerical service
- Office administrative service n.e.c.
- Payroll processing and;
- Reception service.

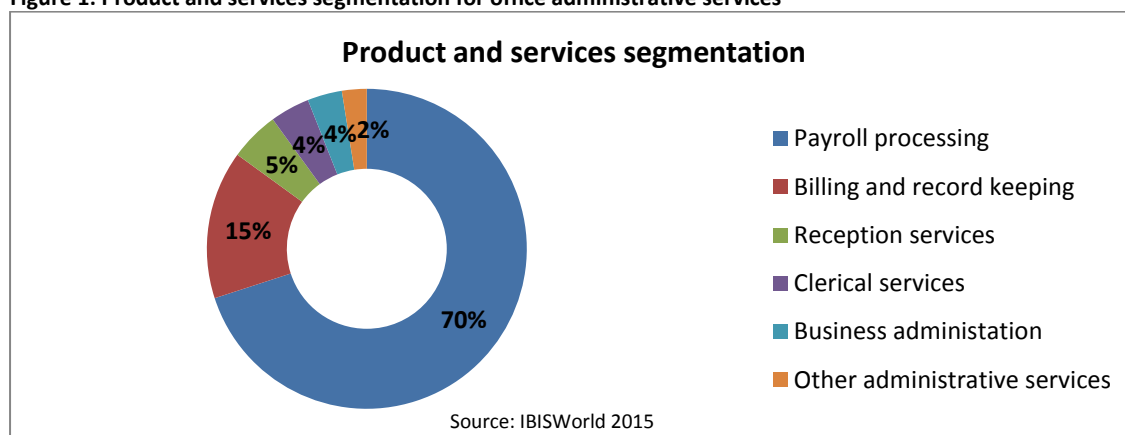
This classification excludes:

- Undertaking head office functions such as overseeing and managing; exercising operational control; and/or undertaking the strategic or organisational planning and decision-making roles of related units are included in class 6961 Corporate Head Office Management Services;
- Providing specialised document preparation services are included in class 7292 Document Preparation Services; and
- Providing human resource management services to clients are included in class 6962 Management Advice and Related Consulting Services.

3. The services to be priced and pricing unit of measure

There is no standard pricing mechanism for office administrative services within the industry. This is because the industry offers a diverse range of administrative services which are usually provided as tailored services. Types of services in this industry include payroll and leave entitlement calculations, superannuation management, termination and redundancy calculations and pay slip management. However, according to market analysis payroll (70%) and billing services (15%) account for the largest share of industry revenue. See Figure 1. With this in mind, the pricing method used for office administrative services within price indexes is the direct use of prices for repeated services based on model prices (Refer to Section 6 for further discussion of methodologies).

Figure 1: Product and services segmentation for office administrative services



4. Market conditions and constraints

Payroll and Other Office Administrative Services

According to the ABS Count of Businesses publication (Cat. 8165.0, 2014b) and using 2014 as the reference year, there were 10,633 businesses classified to the 'office administrative services' industry in Australia.

The industry is dominated by the number of businesses who employ less than 19 employees. These businesses make up approximately 94% of the industry. Table 2 and 3 below summarise the breakdown of the industry by employment size and market share. Table 2 below, shows that 39% of industry participants are owner operated businesses that do not have any employees, and a further 55% of industry enterprises only employ between 1 and 19 people. Businesses with 200+ employees represent only 0.3% of the industry.

Table 2: Summary of Australian businesses classified as office administrative services

Employment Band	No. of enterprises	Percentage of enterprises
Non Employing	4,147	39%
1-19 Employees	5,840	55%
20-199 Employees	612	5.7%
200+ Employees	34	0.3%
Total	10,633	100%

Australia's office administration services industry has a moderate level of competition. The high fragmentation of this industry means that there are few major players and that the industry is populated by smaller businesses which service narrow regional or product markets (refer to Table 3).

Table 3: Turnover bands and market share for businesses classified as office administrative services

Turnover Band	Counts	Market Share
Zero to less than \$50k	2,492	23.4%
\$50k to less than \$200k	2,651	25.0%
\$200k to less than \$2m	4,619	43.4%
\$2m or more	871	8.2%
Total	10,633	100%

The fragmented nature of the industry makes it difficult to create a representative sample. Through purposive sampling, the ABS attempts to collect a representative sample, of mostly medium to large businesses, noting the difficulty in capturing the market of small, transitory businesses.

While the industry offers a diverse range of administrative services, specialist payroll businesses are employed to perform specific tasks for clients. As a result, employees performing these functions do not form a part of their clients' direct workforce. This segment's share of industry has increased over the past 5 years, as more businesses have realised the economic savings and efficiencies available through outsourcing payroll functions (IBISWorld, 2015).

IBISWorld (2015, p.18), points out that:

Wages account for the largest share of industry costs, at an estimated 48.4% of revenue, which reflects the high labour intensity of the industry and its large number of small businesses. There is little capital investment required for machinery or equipment, since most tasks are performed by employees using customised software, including payroll and billing software. Employees must also have specialist knowledge relating to relevant tax or superannuation legislation and employee benefits.

Other costs include purchases of IT software packages and cloud services, marketing, and storage costs for record keeping.

Other office administrative services

Ancillary administrative services, such as reception services, clerical duties and miscellaneous administrative services, make up the remainder of the industry revenue. According to IBISWorld, most organisations tend to perform these tasks in-house as they require little or no specialised training and can be carried out by most existing employees.

5. National accounts concepts and measurement

The Australian National Accounts: Input-Output Tables (Product Details) (Cat. No. 5215.0.55.001, 2009-10) latest publication shows two product codes primary to ANZSIC class 7291. The activities listed under class 7291 can be mapped to these products as given below in Table 4.

Table 4: IOPC to ANZSIC Activity Mapping

IOPC	ANZSIC Primary Activities
72910010 Periodical subscription services	<ul style="list-style-type: none"> • Periodicals and continuations subscriptions service
72910020 Office administrative services (incl clerical, billing, record keeping and payroll services)	<ul style="list-style-type: none"> • Office administrative services n.e.c • Clerical service • Payroll processing • Billing and record-keeping services • Business administrative service • Reception services • Addressing or mailing service • Enveloping service • Manual data entry service • Secretarial service

The two IOPCs representing class 7291 combined accounted for \$9.1bn in total supply in 2009-10. IOPC 72910020 Office administration services nec (9.93%) is the third largest contributing product in Division N, while IOPC 72910010 Periodic subscription service (3.44%) is the eighth largest product (see Appendix 2). Of the two products 72910020 Office administration services nec accounts for approximately three-quarters of the ANZSIC class, as shown in Table 5 below.

Table 5: Output value (\$M) of office administrative services

Market segment	2006-07	2007-08	2008-09	2009-10
Periodical subscription services (IOPC 729100010*)	2,541	2,598	2,543	2,347
Office administrative services (incl clerical, billing, record keeping and payroll services) (IOPC 72910020)	6,082	6,857	7,288	6,770
Total	8,623	9,455	9,831	9,117

*The Input-output product classification (IOPC) used in Australian National Accounts 5215.0.55.001

Within the PPI there is no existing coverage for class 7291. The index for class 7291 is imputed from the upper level component, Group 729 *Other Administrative Services*. The Group 729 index is calculated from an aggregate of the remaining four classes within the Group.

National Accounts uses deflators in deriving volume estimates on both a quarterly and annual basis. In deriving annual estimates, specifically compilation of Supply-Use data, National Accounts applies deflators at the IOPC level where possible. Within class 7291, however, there are no PPIs applied at the IOPC level as both PPIs for the two IOPCs are currently not sampled. However, it is anticipated that once a sample is introduced for these IOPCs, they would be used to deflate annual Supply-Use estimates.

For deflation of these specific products National Accounts will use a deflator at a higher level of aggregation or composite deflator comprising of PPIs, WPIs and Quarterly Business Indicators (QBIS). The current deflator for class 7291 uses a fixed-weight combination of the Group 729 PPI, other PPIs and an industry-specific Wages Price Index (WPI).

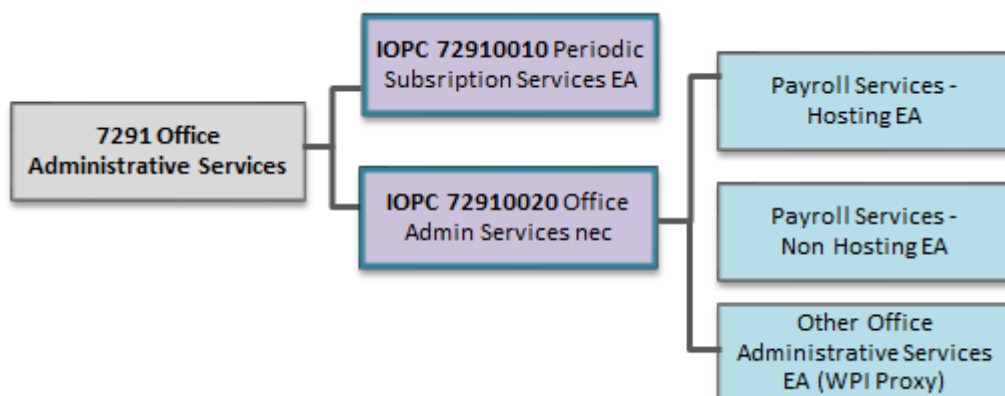
6. Pricing methodologies

In the development of the SPPI for office administrative services, the ABS carried out extensive research to better understand the pricing mechanisms used within the industry and determine suitable price specifications. The feedback from the industry was that the majority of businesses would be able to provide accurate price data for repeated transactions within Payroll services which represent the majority of the industry. Since a number of businesses can provide fully managed payroll services on a contractual basis, using a model price approach would be most appropriate to capture this segment of the industry.

Pricing units are decided following discussions with providers according to the company's individual pricing basis. These specifications are established with the provider when they are enrolled into the survey. Each service is specified in detail to ensure services are priced at constant quality.

The index structure used for compiling the experimental index for class 7291 is shown in Figure 2. The index structure may be further refined through discussion with the industry to source more detailed market information.

Figure 2: Index Structure for 7291



6.1 Contract services

Payroll services

With services provided under contract often being unique in this industry, it may be difficult to identify comparable products for the measurement of price change. In this situation, the model pricing method is deemed as the best option and is used in compiling the experimental index.

In the approach adopted by the ABS, contract prices are based on models of packaged services (which are influenced by employee number/size of business) for hosting and non-hosting. Hosting encompasses activities where the company self-manages their payroll functions and have this hosted on a third party website e.g. E-payroll services. Non-hosting encompasses activities where the 3rd party does all the administration regarding pay slips, superannuation, tax summaries etc.

An example for payroll services of hosting may include:

- *E-payroll Hosting Basic package for 30 employees priced on a monthly basis (excluding GST).*

An example for payroll services of non-hosting may include:

- *Managed services package for 10 employees with payroll services, leave management and superannuation options included. Priced on a monthly basis (excluding GST).*

As services provided under contract in this industry are often unique, this poses some challenges in identifying comparable products for the measurement of price change. Long term contracts, particularly those involving repeated services, may have a price change mechanism built into them, for example escalation with a price index or annual re-negotiation.

Long term contracts may offer the opportunity of the measurement of price change when they are renewed, or if they include escalation with a price index, however care would need to be taken to ensure that the service did not change (or quality adjustment was used to account for any change in the service provided). The main challenge in pricing long-term contracts is that there can be a price change mechanism built into the contract which may not be easily determined for pricing purposes (OECD, 2014).

By comparison, short term contracts, if in sufficient numbers, could be suitable for the measurement of price change in contracts due to the increased likelihood of finding comparable contracts from period to period.

Other office administrative services

Ancillary administrative services, such as reception services, clerical duties and miscellaneous administrative services, make up the remainder of the industry revenue. Since the type of services offered are quite diverse including the pricing units used, it is suggested to use the Wage Price Index within Administrative and Support services as a proxy to populate this empty elementary aggregate.

6.2 Quality Adjustments

Like most services provided under contract there are some problems that need to be addressed when trying to price the service.

Generally, model pricing can involve a specific historical contract being used as the basis of pricing. Even if the exact services in that original contract are no longer provided, an estimate can be made of what the price would have been in the current period by taking into account similar current contracts which reflect changes in the economic environment. When services in the model contract are no longer offered, it must be replaced with a new contract which represents the current services offered by the provider. An attempt should be made to obtain information from the provider to estimate the value of the differences in services between the old and new contracts. This information, if it exists, can be used to make a quality adjustment (OECD, 2014, p 124). At this stage of developing an experimental index the ABS has not conducted any quality adjustments.

6.3 Other Issues

The market structure in the office administrative services industry is characterised by a few large businesses and a large number of small to medium businesses with the latter having significant market share. The purposive sampling method which is commonly used in compiling PPIs may not be sufficient. A method that is able to select a representative sample from a large population of small to medium businesses is needed.

7. Evaluation of comparability of turnover data with price index practices

The main data source for ABS PPI weights at the class level is National Accounts supply use tables at the IOPC level. Specifically, the ABS uses the supply tables for output price indexes where supply by industry is valued at basic prices. The supply use tables are compiled using data directly from the Australian Industry Survey (AIS) and supplemented by other data sources such as the Business Activity Statements (BAS) data provided by businesses to the Australian Taxation Office (ATO). In addition, Case Studies focusing on key industries are undertaken by ABS AIS in order to provide more up to date and additional product level data at the IOPC level.

Below the class level the ABS derives PPI weights using a variety of data sources for revenues. In compiling the experimental index for class 7291, the IOPC splits below the class level (see Figure 2) are obtained using the data from the supply tables. Weights at the elementary aggregate level (which is below the IOPC level) are determined using the revenue data sourced directly from key providers within the industry.

8. Summary

- Office administrative services is a growing industry and consists of businesses that provide a range of everyday office administrative services such as clerical, billing and record keeping, and also payroll services on a contract or fee basis. The aim of these businesses is to provide support for the operation of a business but do not provide staff to carry out all operations of an organisation.
- At present, ANZSIC class 7292 Document preparation services (which is published at the Group 729 level) is the only index compiled within this Group.
- Payroll and billing services account for the largest share of industry revenue within class 7291. We can price these services as being representative for class 7291.
- Ancillary administrative services, such as reception services, clerical duties and miscellaneous administrative services, make up the remainder of the industry revenue. The type of services offered are quite diverse including the pricing units used.
- The ABS uses model pricing based on the collection of prices for repeated services. With services provided under contract often being unique in this industry, it may be difficult to identify comparable products for the measurement of price change. In this situation, model pricing may be the best option. These qualities are established with the provider when they are enrolled into the survey to ensure that they are priced at constant quality.
- The ABS is currently evaluating the methods and data used for ANZSIC class 7291 to further improve the quality and coverage of the index over the next few years.

9. Bibliography

Australian Bureau of Statistics 2006, *Australian and New Zealand Industrial Classification (ANZSIC) 2006*, Cat. No. 1292.0, ABS, Canberra.

Australian Bureau of Statistics 2012, *Producer Price Indexes Weighting Patterns 2012*, Cat No. 6427.0.55.006, ABS, Canberra.

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10. Appendices

Appendix 1: ISIC Revision 4 versus ANZSIC 2006

ISIC Rev 4

Section	Division	Group	Class
N Administrative and Support Services			
	77	Rental and leasing activities	
	78	Employment activities	
	79	Travel agency, tour operator, reservation service and related activities	
	80	Security and investigation activities	
	81	Services to buildings and landscape activities	
	82	Office administrative, office support and other business support activities	
		821 Office administrative and support activities	
			8211 Combined office administrative service activities
			8219 Photocopying, document preparation and other specialized office support activities
		822	Activities of call centres
		823	Organization of conventions and trade shows
		829	Business support service activities n.e.c.

ANZSIC 2006

Division	Sub-division	Group	Class
N Administrative and Support Services			
	72	Administrative services	
		721	Employment services
			7211 Employment placement and recruitment services
			7212 Labour supply services
		722	Travel agency and tour arrangement services
			7220 Travel agency and tour arrangement services
		729	Other administrative services
			7291 Office administrative services
			7292 Document preparation services
			7293 Credit reporting and debt collection services
			7294 Call centre operations
			7299 Other administrative services nec

Appendix 2: Input-Output Data – Division N Overview

IOPC Code	IOPC Description	2006-07		2007-08		2008-09		2009-10	
		Total supply \$m	% share of total supply	Total supply \$m	% share of total supply	Total supply \$m	% share of total supply	Total supply \$m	% share of total supply
72110010	Employment placement and recruitment services (incl casting agency service)	3,438	6.07%	5,258	8.32%	5,181	8.10%	5,789	8.49%
72120010	Labour supply services	19,156	33.84%	19,967	31.60%	19,731	30.85%	22,053	32.35%
72200010	Travel agency and tour arrangement services	4,788	8.46%	5,300	8.39%	5,211	8.15%	5,824	8.54%
72910010	Periodical subscription service	2,541	4.49%	2,598	4.11%	2,543	3.98%	2,347	3.44%
72910020	Office administration services nec (incl clerical, billing, record-keeping and payroll services)	6,082	10.74%	6,857	10.85%	7,288	11.39%	6,770	9.93%
72920010	Document preparation services nec (incl word processing, stenography, typing, transcription and resume writing)	72	0.13%	129	0.20%	203	0.32%	162	0.24%
72930010	Credit rating, credit investigation and collection agency services	3,842	6.79%	3,852	6.10%	3,652	5.71%	4,059	5.96%
72940010	Call centre operation	1,283	2.27%	1,472	2.33%	1,823	2.85%	1,711	2.51%
72990010	Tourist information centre operation	1,073	1.90%	1,227	1.94%	1,072	1.68%	1,168	1.71%
72990020	Theatre, concert and sport ticketing and booking services	282	0.50%	341	0.54%	847	1.32%	936	1.37%
72990030	Event management or promotion (incl sport, art or similar); fund raising services (fee based) or administration services nec	3,485	6.16%	3,997	6.33%	3,692	5.77%	3,530	5.18%
72991980	General government consumption of fixed capital (7211-7299)	68	0.12%	75	0.12%	82	0.13%	93	0.14%
73110010	Building and other industrial cleaning services nec (incl gutters, drains, roads, beaches, swimming pools and toilets)	5,246	9.27%	6,215	9.84%	6,385	9.98%	7,090	10.40%
73120010	Pest control services	1,473	2.60%	1,614	2.55%	1,712	2.68%	1,830	2.68%
73130010	Gardening services	1,681	2.97%	1,900	3.01%	2,050	3.20%	2,250	3.30%
73200010	Crating or packing services for transport	146	0.26%	166	0.26%	132	0.21%	169	0.25%
73200020	Packaging of fresh produce, groceries; bottling or rebottling services and packaging services nec	1,954	3.45%	2,220	3.51%	2,364	3.70%	2,380	3.49%
73201980	General government consumption of fixed capital (7311-7320)	0	0.00%	0	0.00%	0	0.00%	0	0.00%
		56,610	100.00%	63,188	100.00%	63,968	100.00%	68,161	100.00%

5215.0.55.001 Australian National Accounts: Input-Output Tables (Product Details) – Electronic Publication

