INSEE
INSTITUT NATIONAL DE LA STATISTIQUE ET DES ÉTUDES ÉCONOMIQUES

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

› **Caracteristics 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

Cleaning services 1

- **Due to the number of characteristics which impact the contract price (SL p9), are we sure to appreciate all corrective changes on the contract?**
- **Do we know all those caracteristics 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 (Ger)? based on m², hours?
  - Explicit / implicit?(Ger)
  - Overlap?

Cleaning services 1

- **Companies are getting bigger . (many mergers and acquisitions)**
- **When questionnaires are sent to the headquarters, the respondent doesn’t always knows 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 2

- 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 2

- 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: 2

SPPI	nb clients	price per contract	weight		SPPI	SPPI	SPPI	
					Q1	Q2	Q3	Q4
producer 1	5	100	10	client 1	100	100	100	100
			10	client 2	100	100	100	
producer 2	5	80	10	client 3	80	80	80	80
			10	client 4	80	80	80	80
				SPPI	100	100	100	100
					Q1	Q2	Q3	Q4
Purchaser indice				client 1	100	100	100	100
				client 2	100	100	100	80
				client 3	80	80	80	80
				client 4	80	80	80	80
				Purchaser indice	100	100	100	**95**

Cleaning services 3

- **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 4

- **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 5

- **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 6

› **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 7

› **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?

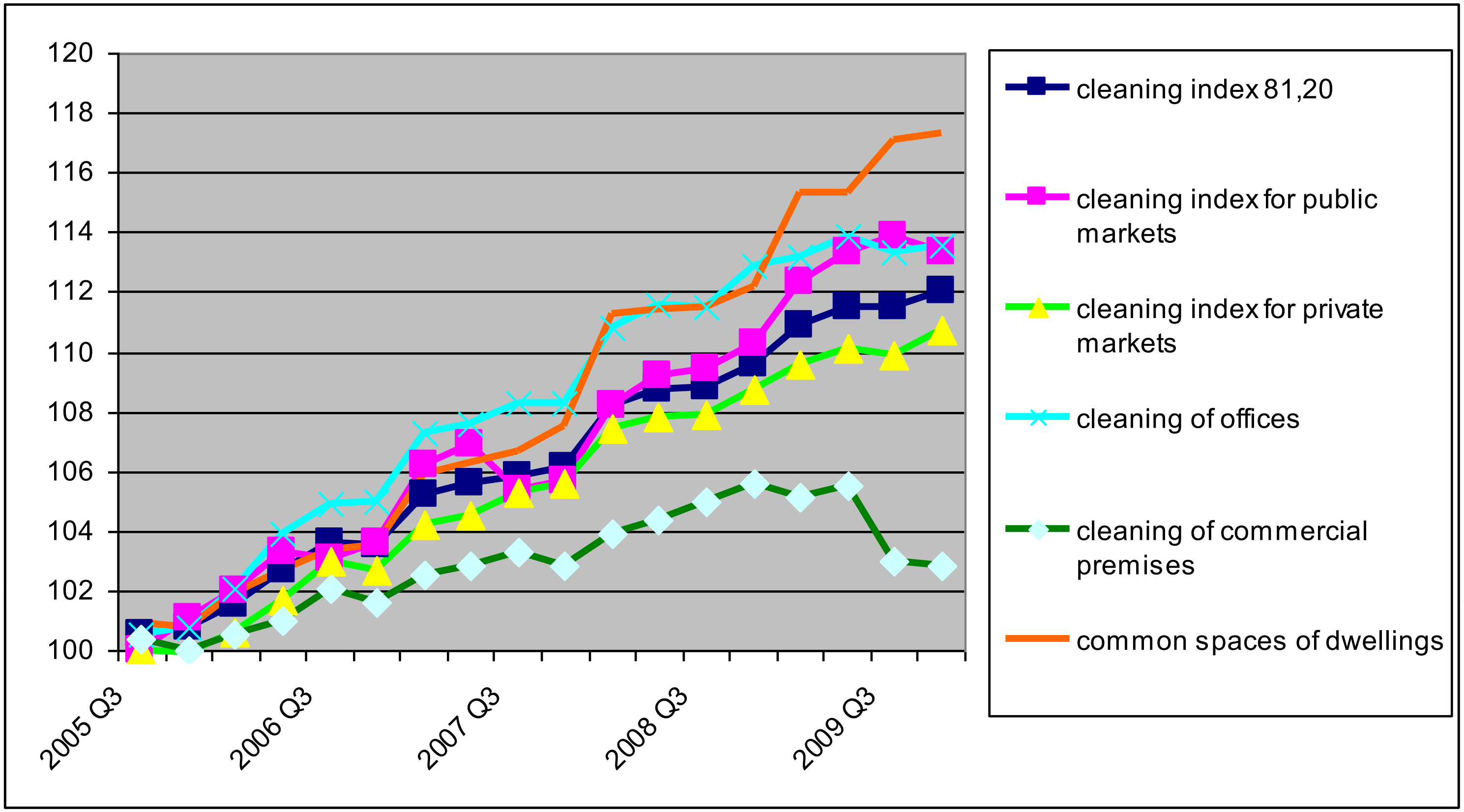
› **2/ customers are more demanding (cleaning <u>and</u> security for airplanes – seat patting)**

› **2/ but firms internalize again part of the services or put pressure on prices**

Cleaning services

8 › Indices are also used to index contracts

– Example FR



Cleaning services

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

	product			
	8 121	8 122	8 129	sum
sector				
others	0%	4%	3%	1%
36-38 waste…	0%	7%	18%	4%
8121	97%	38%	8%	75%
8122	2%	50%	3%	10%
8129	0%	1%	68%	10%
total	100%	100%	100%	100%
turnover (millions €)	4 900	1 179	955	7 048

- **Thank you**