

A Clean Start for the property services industry



LET'S WORK TOGETHER FOR AN INDUSTRY WE CAN BE PROUD OF

The property services industry in both Australia and New Zealand is in crisis. Incomes for cleaners and security officers are so low the industry is incapable of attracting and retaining a workforce that is stable, well trained and competent. WorkCover claims are at record levels in most markets.



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Tenants are dissatisfied with standards of cleaning and security and by any objective measure, the standard of cleaning and security in commercial office buildings is at an all time low. Every indicator is that the position is about to become worse with the quality of services falling even further with massively increased risk for building owners and tenants.

There is an alternative. It is possible for quality contractors to offer high-standard services efficiently and effectively in accordance with global standards. To take this road, all industry stakeholders must work together for certainty and quality. The industry needs to agree on and implement benchmarks for contracting. Contractors tendering for work need to know what kind of service delivery is necessary to satisfy the needs of owners.

The new *WorkChoices* industrial relations regime in Australia will exacerbate existing problems in the cleaning and security industries. Without guidance from owners, the new legislation will force contractors to maintain market share by further undercutting each other on the price of labour with a further deterioration in the quality of service to be delivered. Most importantly, as standards of cleaning and security drop further, it is likely that the situation of cleaners will become a public issue and the industry's reputation in the community will suffer.

At the same time, commercial real estate is booming. There is high tenant demand, low vacancy levels, and high rental income across almost all office markets in Australia and New Zealand. Profits on the rental of commercial property have never been better. Yet the cost of cleaning and security services is negligible when compared to the other operating costs and rental income for commercial property. The industry can afford to protect its reputation and its assets through the adoption of responsible contracting policies.

The human cost of a continuation of the current situation – let alone any worsening – is unarguable. Despite their back-breaking work, cleaners in Australia and New Zealand are struggling to survive.¹ An invisible army of over 140,000 cleaners and security officers in Australia and New Zealand works numerous short shifts at difficult and varying hours – 24 hours a day seven days a week. Forced to work a number of jobs at a variety of sites in order to survive, they still live well below the poverty line. Precarious and casualised jobs yield an average income of less than \$10,000 per year.² Yet the majority of cleaners are women from non-English speaking backgrounds with dependent children living at home. Recent increases in work intensification have seen the number of square metres cleaned per hour rise to impossible levels – with an equivalent drop in quality.

In Australia and New Zealand, traditionally it was the cleaning industry that offered one of the prime ways for immigrants to enter the mainstream – to build a future for themselves through hard work in cleaning. Now the industry has become a workplace kept behind locked doors where the most vulnerable are kept in an unending cycle of exploitation and marginalisation.

But there is hope for improving the property services industry in Australia and New Zealand. Around the world there is a growing trend towards responsible contracting policies. In the US, the UK and in some cities in Australia, building owners, contractors and unions together have recognised the benefits of quality jobs.

Working together works. When cleaning and security jobs are steady jobs with enough hours to earn a living wage, then good workers are attracted to those jobs and remain in them for years. The level of experience among cleaners goes up and transience goes down. Owners benefit in a variety of ways – increased tenant satisfaction, reduced tenant churn, reduced operating costs, increased stability, higher industry standards, reduced OHS – related costs and minimisation of security risks. Green buildings are also made possible through quality property services – the key operational component in strategies for health and environmental sustainability.

Cleaners and security officers want to work with owners, tenants and contractors to make this a better industry. We want good lives and futures for our families. We want to be able to give something back to our communities. We are proud to be property service workers, and we want a property service industry we can be proud of.

Cleaners and security officers – members of the Liquor Hospitality and Miscellaneous Union (LHMU) and the New Zealand Service and Food Workers Union (SFWU) – coming together under the banner of ‘Clean Start’, have developed a set of principles aimed at changing the nature of the property services industry in both Australia and New Zealand. This discussion paper aims to make the case for a new beginning to contracting for cleaning and security services in the property industry and to propose what benchmarks are necessary for all the industry’s players.

This paper generally focuses on the cleaning industry. In the near future we will be supplementing this with research on security officers.

12-HOUR DAYS TO PAY FOR 'AUSSIE DREAM'

Gradimir Djordjevic starts his day at 4am cleaning at the Australian National University. At 7am he heads to Curtin, where he works as a primary school cleaner. Gradimir has two jobs and works 12 hours a day during the week so he can pay his mortgage and enjoy a decent standard of living. 'Like everybody else, I'd like to have an Australian standard of living and I'd like to have a house.'

Gradimir is a first generation migrant and an Australian citizen, he left Serbia more than 10 years ago and cleaning was one of his first jobs in Australia. 'I started cleaning even before I could even speak English,' he said. 'It's the first occupation when you come and you are unable to speak English and don't understand everything around you. They show you cleaning. You go and grab mops and buckets and then you do your work.'

But he fears this is now under threat because of the new Industrial Relations legislation. He fears that he will lose penalty rates for his part-time job at the ANU if he has to accept an Australian Workplace Agreement.

He is also concerned that employers will bring in others who are willing to work for less pay and poorer conditions. He is worried for new Australians who will find it increasingly difficult to negotiate pay and conditions, especially if they face language barriers and are unaware of their rights.

'The company I work with is one of the better cleaning companies in Canberra,' he said. 'They are not pushy and they respect their workers but there is a question about how long they can afford to do that because they can't resist if they have some dirty player coming into the market.'

'I think we should keep our award wages, allow people to be organised by the unions and respect human rights and workers' rights as the same thing. That's what distinguishes us and animals.'



1. 'TENANT IS KING'

Successful property investment depends on satisfying the needs of tenants – 'the tenant is king'.

Tenants want a quality work environment that builds on their corporate image. They expect high standards of presentation and security that contribute to the growth and prosperity of their business. High-quality professional cleaning and security companies are central to meeting tenant expectations.

It is increasingly difficult to satisfy these expectations because of the unstable and disorganised practices of the property services industry. Contractors are often caught up in a viciously competitive race to the bottom, at the expense of quality services. In this race, contracts are won or lost entirely by offering the cheapest price – no matter what the impact on quality.

'CHAMPAGNE SPECIFICATIONS AT FLAT BEER PRICES'

Currently, low standard operators have the power to set benchmarks and force all contractors to sink to their levels of service. Often these contractors engage in further sub-contracting or franchising, which reduces accountability and performance. Many sub-contractors do not carry sufficient insurance (in order to cut costs) – which produces another layer of risk for unsuspecting owners and tenants. The downward trend in service quality is being exacerbated by deregulation and globalisation: standards in every market are dropping to the lowest levels of the worst markets. This downward trend is well documented by industry experts. One researcher writes:

'The competitive nature of the product market means that cleaning companies are forced to take a cost cutting approach to competitive strategy. With clients demanding 'champagne specifications at flat beer prices' contract cleaning companies are forced into a competitive strategy based on cost at the expense of quality.'³

This strategy hurts everyone – from property investors and building tenants to contractors, cleaners and security officers.

There is a problem amongst commercial property owners and the property services firms that service their buildings. The low standard of property services at present creates a great deal of tenant dissatisfaction. Tenants often complain that their offices are not properly cleaned and that security risks are not taken seriously enough.

A 2005 survey of tenants by ServiceMaster Clean found that unclean offices are a major concern and drive sick days higher:

- 85% of office workers think regularly about the cleanliness of their office
- only 29% believe that their offices are being cleaned as effectively as possible
- 64% of office workers see a connection between a clean building and the number of times they call in sick
- 69% believe a clean office makes employees more productive.⁴

Contractors themselves recognise the problem. Contract cleaning executives talk about the industry 'devouring itself from within through nonsensical pricing – often implemented by illegal sub-contracting'.⁵ They also complain that contractors viciously under-bid each other and then, 'If they get the contract they just try to make it work somehow'.⁶ Internet bidding and reverse auctions are stark examples of this sort of self-destructive race to offer an impossibly low price – at the expense of the provision of quality services. Property service contractors are essentially 'hollow' businesses – they organise workers on other people's sites and possess few tangible assets.⁷ Their only real asset is the value created by customer loyalty. This asset is ruined when quality drops, so competing on cost is actually highly destructive for the contract cleaning industry.

Owners also recognise the problem. Westfield NZ's national facilities and risk manager Vince Morgan told cleaning contractors, 'get a life people, you are killing yourselves.'⁸ He said that contractors must be prepared to say 'no – we can't do it at that price' and emphasised that price is not the most important issue. The problem is that contractors can't meet the promises they make in their tenders.

The International Facility Management Association reports that 'Poor janitorial services' is the third most common complaint among office tenants (after 'It's too cold' and 'It's too hot').⁹ An unhappy tenant will eventually relocate: a significant risk to an owner and investors. This is especially true in the world of listed property trusts, where maximising current revenue from tenants is arguably more important than asset value.¹⁰ The trend towards offices becoming a 'total service package' for tenants also means that owners need to provide quality property services if they want to retain blue-chip tenants.¹¹

The volatility of the contract market is another problem for tenants, owners and workers: contracts for cleaning and security change hands frequently – sometimes at intervals of only 6 months.¹² This reduces security for all.

Cleaners and security officers themselves cannot provide the level of service they would like, because they are constantly instructed to cut costs and work faster. In a 2004 report on contract cleaners it was found that:

- one in four cleaners have inadequate time to do their work
- one in five cleaners had to use the same mops for toilets as other areas
- some cleaners were asked to cut sponges in half to save supplies.¹³

At present, the property services industry is caught in a destabilising and risky race to cut costs by reducing quality.

LOSE-LOSE SITUATION FOR ALL

The downward trend in the quality of property services has negative implications for all stakeholders in the commercial property market – from owners and tenants to workers. The trap of cost-based competition leads to:

- massive employee turnover
- lack of training
- an unstable and transient workforce
- security risks
- OHS problems
- lower standards of cleaning and security

Office buildings are not being cleaned or secured to the satisfaction of key parties – including tenants, owners and the cleaners/security personnel themselves. In Australia, the Federal Government's *WorkChoices* legislation may well aggravate many of these problems.

COMMERCIAL REAL ESTATE IS BOOMING

Business is booming for commercial property owners and developers in markets across Australia and New Zealand, providing strong returns for investors.¹⁴ Prevailing market conditions include high demand for premium property, lowest vacancy rates in 15 years, positive net absorption¹⁵ and high rental income leading to record profits for property owners.¹⁶

Looking forward, the forecast for investors is positive on the basis of increasing white collar employment growth and associated office space expansion.¹⁷

LOOKING AHEAD

A strong property market presents owners with great opportunities. At a time like this investments can be strengthened and the standards of building services can be improved. Owners have the capacity and need to think about investing in quality.

'PLEASE PAY ME A DECENT WAGE'

'I am worried that all my company now wants from me is to work harder and faster by cutting our hours. I do not think they understand what I do and they do not appreciate us. All I can say is please pay me a decent wage so that I can get my family off being reliant on the benefits.

'I do any cleaning job; buffing, mopping, dusting etc...

'On an average day I am always busy.'

'I do not want my children to grow up living a life dependent on others.

This is Rosa Faleniko from Wellington, New Zealand. She has worked as a cleaner for over six years since 1996, with maternity leave in the middle. When she started, she worked 44 hours a week, but she has had a reduction of hours to 28 hours per week. Rosa will soon be paid \$10.95 per hour, compared with \$10.15 an hour in 1996 when she started - that's only an \$0.80 increase over 10 years.

Rosa works to support her seven children and her husband who is unable to work full-time due to sickness. She has to rely on a Government family assistance package just to cover the costs of living and fears that her children will grow up thinking it is OK to live a life dependent on others or the state. She also cannot afford daycare for her 18-month old baby and worries about what her teenager will 'get up to' if she and her husband are working evenings. Rosa likes working with the other cleaners but she says that managers only turn up to 'give us more work'.



2. RISKY BUSINESS

Low-quality property services create serious and often hidden economic risks for property owners and their tenants.

SECURITY

In an era of increased security risks, it's particularly dangerous to let property services standards fall. Security officers and cleaners are the frontline of property protection, and often confront harassment and violence as part of their duties. The instability and transience of the workforce leads to an increased risk for property owners and tenants. At present, a significant part of the workforce is made up of overseas students and others who move on every few months. Tenants see a rotation of different cleaners every night, and perceive lower levels of security. Property service workers never get to spend long enough in a job to gain a deeper understanding of the site, and so can't supply quality service.

Similarly, cutting work hours and intensifying the speed of work means that security guards and cleaners are unable to monitor and address security risks. The Australian magazine for facilities managers, *FM Express* says:

'In these times of heightened security threats and amid renewed calls for corporations to review their risk management strategies, tenants are demanding ever more of their facilities manager.'¹⁸

Tenants need a property service workforce they can trust. This need is not being met by contractors caught up in the cost-cutting and subcontracting race, who often take no real responsibility for what actually happens in the buildings they service. Building owners and tenants have started to demand an end to this irresponsible approach to security.

WORKPLACE HEALTH, SAFETY AND RISK

Workplace health and safety issues for cleaners and security officers are a substantial source of risk for building owners. Occupational Health and Safety

(OHS) laws in all Australian and New Zealand jurisdictions impose heavy burdens on companies as well as individuals, such as directors and managers. Few defences are available and penalties are severe. In NSW, the maximum fines that may be imposed for committing an OHS offence resulting in death are:

- \$1.65 million for a corporate defendant
- \$165,000 and/or five years imprisonment for an individual.¹⁹

For offences that do not result in death, the maximum penalties for a single OHS offence are:

- \$825,000 for a corporate defendant
- \$82,500 and/or two years imprisonment for an individual.

Similarly stringent penalties apply in other jurisdictions of Australia, and in New Zealand, where the maximum fine payable for a single OHS offence is \$NZ500,000 and/or two years' imprisonment.²⁰

OHS liability for property owners and managers extends to any property they own or control in which there is a workplace, even where they do not directly employ anyone in that workplace.²¹

OHS issues present a particular problem for the property services industry. There is a substantially increased risk of workplace injury or illness for people who are precariously employed – i.e. people employed on a part-time or casual basis and by sub-contractors. The work intensification and precarious employment faced by cleaning and security industry workers significantly increases the risk of OHS incidents. This also means that workers compensation premiums in the commercial cleaning industry, in most markets, are rated second only to industries such as construction and logging. Base rates for construction and logging range from 10% to 14.37%, while for commercial property cleaning the base premium rate is 9.21%.²² This has negative implications for property owners including a high risk of legal liability, an inflationary impact on insurance premiums and a poor public image.

CASE STUDY: OHS

The risk to a property owner could result in significant losses, as is apparent from a case heard in September 2005. ACT Supreme Court Master David Harper found that Lend Lease and their cleaning contractor, SSL Support Services, were liable for the back injuries Elizabeth Cairns suffered when she was injured as a result of cleaning deficiencies. He ordered that Lend Lease pay Ms Cairns \$512,000 and that SSL Support Services pay \$170,667 to Lend Lease for its share of the liability.²³

THE AUSTRALIAN WORKCHOICES ACT: ESCALATING RISKS

The *WorkChoices* legislation will fundamentally alter the nature of industrial relations in the property service industry in Australia. The key impacts of *WorkChoices* will be:

- uncertainty surrounding the terms and conditions of employment (such as hours of work, wages payable and leave entitlements)
- increased labour unrest and reduced options for resolving disputes
- increased risk of injury and illness in the workplace.

WorkChoices will be costly for both property owners

and contract cleaners. Without guidance from owners, the new legislation will force contractors to maintain market share by further undercutting each other on the price of labour. This means:

- hourly wages will drop
- workloads for cleaners and security officers will increase
- experienced staff will be driven from the industry
- labour turnover will increase
- standards of cleaning and security will drop further
- industrial unrest will increase
- the industry's reputation in the community will suffer.

An echo of things to come has already been seen in New Zealand and Western Australia. (see page 10)

FRAGMENTATION OF THE INDUSTRY

'We can see a lot of people going out of business,' says a leading contractor in the industry. He predicts major problems for Australia's property service industry after *WorkChoices*:

'There will be a lot of churn in the industry because of the price-cutting effects that we expect contractors will face. The industry is worth \$3 billion and 15 to 35% could disappear out the door. That could become the unintended consequence of the new workplace legislation.'

In the same article, the author also warns that:

'If the industry partners do not start talking soon, a price war that drives down wages could result in the break-up of the larger, more responsible companies and the emergence of extreme union militancy.'²⁴

The property services industry could rapidly become fragmented, with many smaller companies seeking to undercut larger enterprises.

CASE STUDY: IT'S BEEN DONE BEFORE – NEW ZEALAND AND WESTERN AUSTRALIA

The Award systems of Western Australia (WA) and New Zealand were dismantled during the 1990s. Both WA and New Zealand experienced an accelerated race to the bottom in terms of wages and conditions, especially for low-wage property service workers.

There was an increase in lowest common denominator competition where businesses were forced to compete on wages and other labour costs.²⁵ In WA, many cleaners and security officers were deprived of holiday and sick leave entitlements, forced to work longer hours and now receive the lowest wages in the country.²⁶

Cleaning companies report that they have had to decline contracts because they are unable to source labour at these prices capable of doing the work.²⁷

Other consequences of industrial relations deregulation have included a dramatic increase in underemployment, precarious forms of employment, such as casual and part-time work, and low productivity. Contrary to predictions by the Federal Government concerning productivity, the New Zealand experience has been that productivity decreased in many workplaces, especially low-wage workplaces. This was due to low morale, as well as an absence of trust, good faith and loyalty between employers and employees.

Depletion of workplace relationships is likely to have a negative impact on property service companies which already have trouble retaining staff.²⁸

During the 1990s, following its industrial relations reforms, New Zealand experienced some of the weakest economic growth among the countries of the Organisation for Economic Co-operation and Development (OECD).²⁹

The social impact of the reforms included substantial increases in low-wage households and increasing signs of poverty, such as the incidence of foodbanks.³⁰

A 2003 study found that New Zealand workers suffered a 6.5% fall in their real hourly earnings during the 20 years from 1980 to 2001.³¹ That was the worst performance of the 16 OECD countries in the study. In fact New Zealand was the only country in the study where workers' real hourly earnings fell.

WorkChoices could well result in a similar decline in wages, morale, productivity and economic growth in Australia.

LOYALTY DESERVES RESPECT

Job security and being treated with some respect is the big issue for Sandy Tanino. The Opera House decided to change cleaning contractors and suddenly his whole life was in turmoil.

'I had been working at the Sydney Opera House for nine and a half years – emptying garbage bins and compacting the rubbish - never a word of complaint about me and the job I do.'

Then Tempo lost its contract at the Opera House to Cleanevent.

'They came to me with a 'take it or leave it' offer. Either I change my job to a night-time shift and accept working on weekends without any pay loadings – or I have no job.

'This is not very fair. Not a nice way to treat a loyal worker.

'They want me to work from 11pm to 7 am. They want me to work on Saturday and Sunday. But they say they will not give me any pay loadings.

'Before I did a day-time shift and if they wanted me to work on the weekend they gave me a pay loading.

'I am human being and I think they should treat me with some respect for all the years I have been working at Opera House – I even missed out on long-service leave by six months because the Opera House wanted to change the contract.'



3. INVESTING IN QUALITY

With risk rising and quality building services under threat, commercial property owners would be unwise to ignore future planning.

Although the prevailing market conditions are buoyant, future downturn is also possible, especially in light of oversupply problems facing CBD markets like Canberra and Melbourne.³²

One way to fortify current investments is through a commitment to responsible contracting policies. We have developed the policies we propose for the industry – *Principles for a Clean Start*. A commitment to these principles would provide property owners with an opportunity to cooperate with service providers and workers in the industry.

This powerful combination will improve property services, limit risk and promote good corporate citizenship.

PRINCIPLES FOR A CLEAN START

We have developed a set of principles governing the approach taken by owners, unions and contractors which apply to the contracts let for cleaning and security in the commercial property sector. We cannot impose these principles on owners – rather our aim is to improve property services by advocating the need for owners to award contracts which reflect best workplace relations and OHS practice. The principles constitute an expression of intent by owners and unions – not a contract enforceable by either party or any third party. Neither do the principles establish an employment relationship between the owners and cleaners/security officers. But were owners to adopt these principles as their own, standards in the industry would be immeasurably improved, and cleaners and security officers would have a real chance of making a living wage from their work.

The principles seek to ensure that contractors hired to do the work of cleaning or securing a building are ‘responsible’ in every sense of the word. A ‘responsible

RECORD PROFITS FOR PROPERTY OWNERS

Commercial property owners and developers are currently achieving record profits. This reflects the current strong performance of the commercial property market, as well as the Australian and New Zealand economies.

Profit from commercial property investments in AUST and NZ year ended 2005

	AUD million
GPT Group ³³	426
Mirvac ³⁴	233
Investa ³⁵	230
Stockland ³⁶	220
Macquarie ³⁷	190
ING ³⁸	143
Commonwealth Bank ³⁹	133
Lend Lease ⁴⁰	109
Deutsche Bank ⁴¹	101
AMP ⁴²	92

contractor’ is one capable of meeting its on-going obligations to workers. Such a company commits to the fair treatment of employees so that they have the chance to enjoy good, rather than throw-away, jobs. Such companies are committed to ensuring that the OHS of employees is guaranteed and their right to Freedom of Association is respected. Responsible contractors will directly hire their employees so that workers are not forced to shoulder the burden of risk inherent in the contracting industry and so that contractors can be directly accountable to the owner for the quality of work performed.

Our belief is that tenants want high standards of cleaning and security and only those contractors committed to quality and the building of a stable, expert workforce can meet that need.

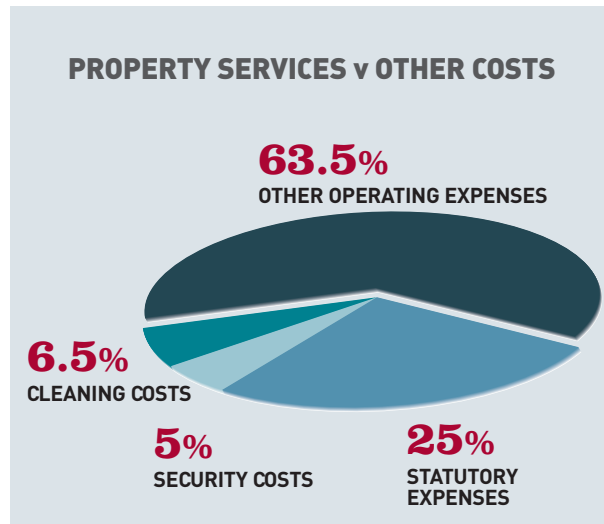
In turn, unions are committed to playing their part in ensuring stability and certainty for the property industry. Where Clean Start policies are adopted, cost

outcomes and phasing in will be agreed with owners. Unions will commit to a dispute settlement procedure aimed at guaranteeing as far as possible a cooperative relationship in buildings that adopt the Clean Start principles. Unions will also participate in the development and training of a higher skilled and more stable workforce.

WHAT DOES IT COST?

Attracting a stable workforce to the industry and increasing the quality of services has some cost impact. But the cost of cleaning and security services is negligible when compared to the other operating costs and rental income for commercial property. The chart below shows the relative proportions of cleaning costs and other operating costs for buildings in the Sydney CBD market, per square metre.⁴³ Cleaning costs average 6.5% of total costs for property owners, while security accounts for around 5% of total costs, depending on the level of security required.⁴⁴

The chart (top right) demonstrates the disparity between cleaning costs and the rental income received by property owners. Cleaning costs are equal to a tiny 1-2% of rental income in the Sydney CBD.



MINOR EXPENSE, MAJOR RETURNS

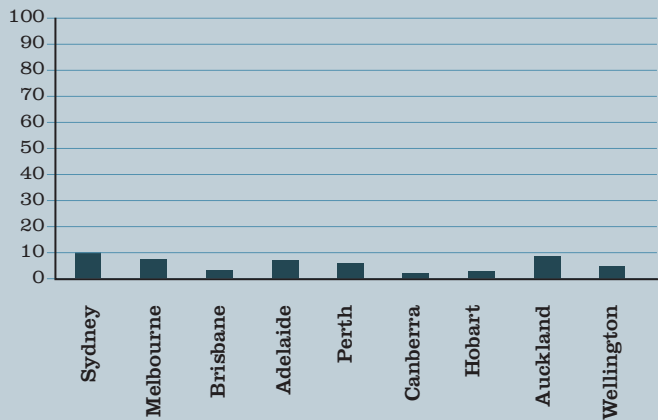
Property service costs are a minor expense for property owners and tenants, particularly given the booming market and important contribution that these services make to the businesses of a building’s owners and tenants. Engaging responsible property service contractors would have a minimal impact on overall expenditure for owners, but would make a significant impact on the quality of services provided.

WORKING TOGETHER WORKS

Around the world there is a growing trend towards responsible contracting policies. In many cities in the United States and the UK, building owners have taken control of their assets and are now reaping the benefits of responsible contracting. Owners and property service contractors have worked together with unions such as the Service Employees International Union in the US, the Transport & General Workers Union in the UK, and the LHMU in Australia to create a more stable, more reliable property services industry.

LOWEST VACANCY RATES IN FIFTEEN YEARS

Most CBD and office markets in Australia and New Zealand are currently experiencing record highs in terms of tenant demand. For the first time in 15 years, all Australian CBD office markets are less than 10% vacant and, in the past six months, all but two CBD office markets experienced positive net absorption⁴⁵.



Owners are increasingly requiring the contractors who maintain their buildings to adhere to these policies, and the benefits are clear. Tenants feel safer when they see the same cleaning and security staff every night and quality jobs lead to quality cleaning. Ultimately, an investment in responsible contracting is an investment in a secure and quality property.

FAIRNESS ACROSS THE INDUSTRY

We recognise that standards need to be set at a market level – not building by building – and we are committed to solutions that create real gains for workers without reducing the competitiveness of particular building owners or managers. The aim of the Clean Start Principles is to set a fair but commercially sensible benchmark for the whole industry.

RESPONSIBLE CONTRACTING: THE FUTURE OF PROPERTY SERVICES

In Australia and New Zealand, the LHMU and SFWU are seeking to establish a cooperative relationship with both owners and responsible contractors. Our aim is for the property industry to recognise its vested interest in ensuring the adoption of high standards of cleaning and security through the use of contractors committed to a high quality of work. Given the key component of these contracts is labour, the way they treat their workforce determines the degree to which they are truly committed to quality. We believe that where owners commit to the hiring of such contractors:

- tenants are happier with the standards of cleaning and security leading to reduced tenant churn
- tenants feel secure about people being granted access to their premises, and labour unrest is not a problem
- increased stability and reduced operating costs mean property owners can more easily monitor and review labour levels and prices
- contractors can train their staff and demand high standards
- the level of injury at work falls, leading to reduced OHS related costs
- at a time of labour shortage, the commercial property industry can attract workers with a commitment to the job
- cleaners and security officers have good jobs that give them a chance to enjoy a decent standard of living.

Buildings can't function without good cleaners and security officers, and their supply is integrally linked with the provision of jobs that are seen to be good jobs. Yet the risk is that, in Australia, the introduction of *WorkChoices* will encourage a 'low road' approach to the terms and conditions offered to cleaners and security officers.

CASE STUDY: JUSTICE FOR JANITORS IN HOUSTON, TEXAS

The janitors who clean Houston's office buildings are paid an average of US\$106 a week and do not receive health insurance or other benefits. Nearly the entire workforce is part time. In 2005, the Service Employees International Union (SEIU) proposed a metropolitan-area wide solution to reversing the cleaning industry's race to the bottom. SEIU and Houston's five largest cleaning companies agreed to negotiate over improved wages and benefits once the cleaners who work for companies that clean 60% of the market's office space won union recognition. That threshold was reached in four months and in 2006 the cleaners and their employers are set to begin negotiations over a market-wide collective bargaining agreement.

With 60% of the janitorial services market represented at the bargaining table, the companies can negotiate to improve quality and wages without losing their competitive advantage within their industry. This achievement was won with the support of building owners and the community, who recognised the benefits and importance of improving the industry as a whole. More than 100 community, religious and elected leaders, churches, and organisations in Houston also pledged their public support to the cleaners.

Working together has also provided benefits to cleaners, contractors and owners in many other US cities including New York City, Chicago, Los Angeles, Boston, Cleveland and Washington D.C. In these markets, cleaning contractors must now compete on the quality of their service, not on their ability to drive down the wages and benefits of workers.



WORKING LONGER FOR LESS

Russell Spencer has worked at the huge Adelaide Myer Centre – which is a combination of commercial office blocks and retail – for more than ten years.

‘In that time I’ve watched how our position as cleaners has deteriorated – and I think it is true to say we are losing in the wages race; we are losing our conditions and we are getting less and less respect from our bosses and the general public.

‘It really is time we did something about it. If we sing out together we can raise our conditions, raise our wages and get people to understand the importance of our job.

‘Each time the contract goes up for tender we worry about our jobs. Each time the contract changes I have watched the new contractor expect us to do the same work in less hours.

‘That means that even if they raise our wages the pay packet is cut because we’ve got less hours on the job.

‘The fact the general public has such a poor attitude to us really affect the way cleaners do their job. This campaign can turn around this lack of respect.



CAPITAL STEWARDSHIP: SUPPORTING RESPONSIBLE CONTRACTING

It is important to note that property service workers not only service commercial office buildings but also contribute millions of dollars to the capital funds that own commercial office buildings, through their superannuation and other investments.

Tenant dissatisfaction with cleaning and security has the potential to increase the level of risk for both owners and investors. A cooperative approach – on the other hand – can secure investment returns for commercial property owners through improving building services and limiting risk. This makes for a sustainable and stable investment over time. Adoption of the Clean Start principles is nothing less than commercial good sense.

GREEN BUILDINGS

Given proper time, training and equipment, property service workers become a key component of green building practices to the benefit of tenants, owners, and the environment.

A study by the Building Owners and Managers Association showed that green buildings have an enhanced ability to rent or sell space based on their superior indoor environment.⁴⁷ Green buildings mean enhanced marketability for owners, creating a distinct product in the marketplace which can in turn translate into an improved community profile.⁴⁸

A Jones Lang LaSalle report, Commercial Property Going Green, states that property owners who implement green building strategies will be rewarded with cost reductions including:

- lower waste disposal and water costs
- lower environmental and emission costs
- and lower operations and maintenance costs.⁴⁹

Poorly maintained workplaces can also pose serious health risks to tenants. The Asthma Foundation of Australia notes that 'Many substances in the workplace may cause asthma to develop in a previously

CASE STUDY: RESPONSIBLE CONTRACTING IN THE AUSTRALIAN CAPITAL TERRITORY

The 'Code of Best Employment Practice' has been developed by the LHMU and employers for the cleaning industry in the ACT.⁴⁶ The code is recognised by the ACT Government. This ground-breaking Code sets standards for high-quality, environmentally-responsible cleaning services along with sustainable workplace relations conditions.

The Code covers issues such as:

- provision of training and minimisation of health and safety risks
- dispute resolution
- recognition of trade union legitimacy and the right of workers to join unions
- anti-discrimination
- environmentally sound cleaning practice.

The Code has resulted in better standards of cleaning across the industry. This has led to increased tenant satisfaction and stability for owners. There have also been many occasions where disputes which might have become long, drawn-out and costly have been resolved quickly and economically.

The Code was awarded the ACT WorkCover Occupational Health and Safety Excellence Award for 2004.

The Code is actively supported by the industry association, BSCAA, and a wide range of organisations from small child-care centres, to hospitals, owners of large shopping malls and nationally recognised corporations and institutions. The Code has benefited all stakeholders – from cleaners and security officers to contractors, tenants and property investors.

healthy person.⁵⁰ Preventative strategies include:

- controlling dusts and other chemical agents
- keeping hygiene facilities in line with OHS regulations
- maintaining ventilation and other cleaning systems.⁵¹

4. WHAT IS CLEAN START?

CLEAN START FAIR DEAL FOR CLEANERS



CLEANING INDUSTRY AT A GLANCE

- Employee numbers vary widely: In Australia somewhere between 95,000 and 188,000⁵² and in New Zealand well over 12,000⁵³
- Women make up 60% of cleaners in New Zealand and more than 50% in Australia⁵⁴
- At least 40% of cleaners are from a Non English Speaking Backgrounds (NESB), with up to 90% in some firms from a NESB⁵⁵
- Nearly 50% of all cleaners have dependent children living at home
- 33% of cleaners rent their homes
- The majority of cleaners left school at 15 years or younger⁵⁶

Clean Start is a campaign created by and for building service workers in the commercial property sector and managed by their unions: the Liquor Hospitality and Miscellaneous Union (LHMU) in Australia and the Service and Food Workers Union Nga Ringa Tota (SFWU) in Aotearoa/New Zealand. Building Service Workers are proud of their jobs and are not willing to let the problems in their industry undermine conditions and produce a self-destructive race to the bottom.

IT'S A CLEANER'S LIFE

DISCRIMINATION

One researcher describes cleaning firms:

'Who take advantage of immigrant networks to find workers but who then use immigrants' need for work, their frequent lack of knowledge of their legal rights and their unwillingness to speak out... to exploit them.'⁵⁷

CLEANING JOBS ARE PRECARIOUS JOBS

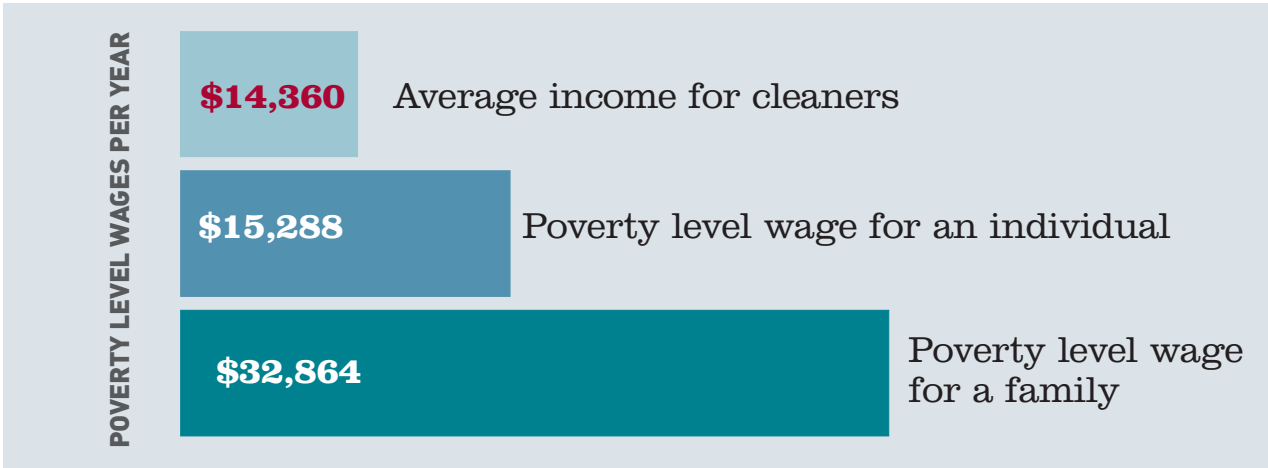
- 60-70% of cleaners are employed on a part-time or casual basis
- Cleaners are forced to hold a number of cleaning jobs – each with very little security⁵⁸
- Shifts are often 2-4 hours long and can start at any hour during the day or night
- Building Service Contractors Association of Australia estimates average hours of work to be 15 hours per week, but in reality many cleaners work even fewer hours in each job.⁵⁹

POVERTY LEVEL WAGES

The average income for cleaners is \$14,360pa - which is inflated by the inclusion of supervisors' and managers' income.⁶⁰ The Australian poverty line stands at \$15,288 for an individual and \$32,864 for a family.⁶¹ The average income for a full-time worker in Australia is \$56,087. That's almost 4 times the average cleaners income!⁶²

The hourly rate varies widely between the states in Australia, from \$15-16 in Victoria, New South Wales, Queensland and Tasmania, to \$13.15 in Western Australia. In New Zealand, cleaners in the multi-employer contract have just won a small \$0.35 increase in the hourly rate to NZ\$10.95.

Nearly 50% of the people employed as cleaners in New Zealand earn less than \$10,000 per annum; 75% earn less than \$20,000 per annum.⁶³



There is also a glaring contrast between the situation of cleaners and the earnings of their buildings' most senior managers.

- CEO of a major financial institution earns \$18.5 million (2005)⁶⁴
- CEO of a major Australian bank earns \$4.4 million (2004)⁶⁵
- CEO of a major cleaning company earns \$1.8 million (2004)⁶⁶

A study of CEOs in the Business Council of Australia showed that, between 1990 and 2005, the average annual total remuneration of CEOs rose by 564% to \$3.4 million, while average adult wages rose only 85% in the same 15-year period.⁶⁷ The earnings gap between CEOs and ordinary full-time wage earners is now 63:1 (up from 18:1 in 1990).⁶⁸ Even more strikingly the gap between the average CEO's earnings and the average income for a cleaner is 236:1.

INTENSIFICATION

The level of work intensification in recent years has seen the number of square metres (sqm) cleaned per hour rise constantly – with an equivalent drop in

quality.⁶⁹ On average, cleaners are required to clean 850-950 sqm per hour, while some Australian contractors claim to clean 1,000 sqm per hour.

This rate is much higher than accepted international benchmarks and impossible to achieve without major compromises to quality. A researcher states: 'Such levels of productivity are generally achieved at the expense of quality and erosion of cleaners' conditions of work'.⁷⁰ In North America the standard rate is 300-400 sqm per hour.

OHS

As well as poor pay, cleaners face a range of OHS problems. Cleaners are frequently exposed to chemical risks, electrical hazards from faulty machinery and heavy lifting.

Building Service Workers want good lives and futures for their families. With the support of the community, unions, cleaners and security officers, owners can make a real difference to the lives of the people who keep their properties clean and secure. Cleaners and security officers deserve a fair go. By recognising the value of the *Clean Start Principles*, together we can change the industry and reap the benefits of a stable workforce.

'TOGETHER WE CAN DO SOMETHING'

Rakchanok Sothanaphasian started work as a cleaner at one of Sydney's better known CBD office sites as soon as she arrived in Australia seven years ago.

'I got the job through a friend of a friend. That's how it works. That's why most of the people working there are from Thailand,' Rakchanok explains.

To secure the job, she accepted the company's policy of a one month 'training' period when she, and all the other trainees, are giving their labour for free.

'I feel that's unfair. They just sent me around with another worker and got my labour for free. That's not training. The training could really have happened in three or four days.

'They didn't tell me about health and safety. No one really told me about the proper way to use equipment. If I had been better trained – given workplace health training – maybe my accident wouldn't have happened.'

Rakchanok had to go off work after hurting her back because she didn't carry her vacuum cleaner properly. But she returned to work too early. Cleaning a shelf while balancing on an office chair she fell and just made her back problems worse.

'We all have problems at work but people think it's just them – alone. It is unbelievable when people from different places and different bosses come together and share our stories. There's a feeling people will explode'

Rakchanok explained that many people were angry that the contractor - without talking to them - reduced their hours. 'We do the same work in less hours and we get less money. People were very upset.'



FOOTNOTES

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PRINCIPLES FOR A CLEAN START

Preamble:

The Liquor Hospitality and Miscellaneous Union in Australia and the Service and Food Workers Union Nga Ringa Tota in New Zealand, representing cleaners and security officers, propose the adoption by building owners, tenants and contractors, of the following set of principles.

The Principles

- [1] The interests of tenants, owners, cleaning contractors and workers in the industry are not served by high turnover in security personnel and cleaning staff, poor levels of training and staff supervision, and unacceptably high levels of occupational illness and injury.
- [2] Satisfied tenants who occupy buildings which are secure and cleaned to a superior standard ensure that rental income is maximised, tenant churn is minimised, and investment in the physical fabric of the buildings is protected.
- [3] An appropriately high standard of cleaning and security services together with the creation of good jobs capable of providing a fair reward for the effort expended, can only occur where cleaning and security contracts are designed to permit these results.
- [4] Building owners can plan on certainty in the labour costs underpinning service contracts if they know that sudden increases in costs will be avoided, labour is deployed efficiently, and Workcover costs are reduced.
- [5] Contractors who tender for cleaning or security work should:
 - (a) Take direct responsibility for the employment and supervision of security and cleaning personnel in the owners' buildings.
 - (b) Be backed with sufficient financial resources, to guarantee that the entitlements of employees will be met.
 - (c) Ensure that the remuneration and terms of employment of each employee for the duration of the contract will be consistent with the remuneration and terms of employment that reflect the industry standard as expressed in awards and agreements and any code of practice that may apply to a particular industry or, otherwise be able to demonstrate that they have observed best practice in workplace relations, for example, by a history of compliance with relevant awards and/or agreements prior to the date of the tender.

- (d) Ensure that the protection of freedom of association provisions of the Workplace Relations Act are observed, including by making specific provision to permit employees (where they so choose) to be collectively represented and to participate in the bargaining process.
 - (e) Have a satisfactory occupational health and safety record and to observe the provisions of the various State Occupational Health and Safety Acts to consult with workers, and to form occupational health and safety consultative committees.
- [6] Owners, wanting to promote and protect best practice standards and being conscious of the needs of the industry to maintain its financial viability will support the development of, in consultation with the relevant unions and any contractor(s) of:
- (a) A protocol to determine appropriate cleaning ratios needed to ensure a high standard of cleaning and a reduction in the level of occupational illness and injury;
 - (b) An analysis of jobs so as to create good jobs capable of attracting a stable workforce to the industry and reduce its reliance on a continually transient workforce;
 - (c) A process of ensuring that all cleaning and security staff are professionally trained to do their jobs in the safest and most efficient manner;
 - (d) A jointly sponsored fund to support appropriate training and education for the industry's workforce, and to establish standards of best practice in the industry, especially with respect to occupational health and safety;
- [7] Unions will consult with any owners who adopt the principles about proposed collective bargaining outcomes to determine their financial impact and agree on any necessary phasing in of cost increases so as to minimise the cost to those owners.
- [8] The unions will establish a dispute settling procedure which provides for the binding settlement of disputes.
- [9] Prior to taking any action against a contractor for breach of any collective agreement or other labour law, the relevant union will first consult with the appropriate owner or owners.
- [10] Unions will participate in the training of all cleaning and security staff to ensure that workers in the industry understand the obligations of all workers to maintain high standards of service and a secure environment for tenants.



CLEAN START
FAIR DEAL FOR CLEANERS



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