The New Zealand Commercial Cleaning Industry

Quantitative Insights Report

Author

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Acknowledgements

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Integrated Data Infrastructure & Longitudinal Business Database Disclaimer

Access to the data used in this research was provided by Stats NZ under conditions designed to give effect to the security and confidentiality provisions of the Data and Statistics Act 2022. The results presented in this research are the work of the author, not Stats NZ or individual data suppliers. These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) and Longitudinal Business Database (LBD) which are carefully managed by Stats NZ.

Some of the data used in this research is based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue core operational requirements.

For more information about the IDI please visit https://www.stats.govt.nz/integrated-data/

Disclaimer

The views, interpretations and any errors included in this report are those of the author.

Due to impending disestablishment of Workforce Development Councils (including Ringa Hora), this report has not gone through a full quality assurance process. Ringa Hora is publishing this report as it may be of value and interest to the wider research community and others.

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Introduction

The commercial Cleaning industry in Aotearoa New Zealand plays an important role in supporting businesses and workers, by underpinning the safe operation of businesses, communities and essential services. This was evidenced by the role the industry played during the COVID-19 pandemic, where cleaners provided essential services by ensuring that workplace environments were safe.

Like all businesses in the time since, the industry has been impacted by returns to normality, as well as difficult economic conditions and rising prices.

This quantitative deep dive has been commissioned to develop a deeper understanding of the evolution of the Cleaning industry over the past 10 years, with a focus on:

- the structure of the industry
- how businesses have been performing and surviving
- how the demographics of workers have been changing over time
- worker retention and destinations
- how the incomes of workers in the industry are evolving over time.

Together, these insights will help to inform next steps for the industry, as it looks to find it's new normal following the turbulence of the last five years.

Summary of our findings in a paragraph

This deep dive examined the characteristics and performance of Cleaning businesses in New Zealand, the makeup of the Cleaning workforce, and the pathways of workers entering and leaving the industry. We found that Cleaning industry growth is driven largely by small business units, that the market is highly competitive and nearing saturation, and larger firms, particularly Registered Limited Liability Companies, retain workers within the industry more effectively and provide more stable incomes. Workforce trends follow wider demographic changes in NZ. Workers' destinations after leaving the industry differ depending on their tenure. Key next steps include continuing to monitor business performance and survival, improving available business data, supporting small businesses to compete sustainably, strengthening workforce planning, encouraging productivity improvements, and enhancing quality-based differentiation.

Key findings from this report

Growth in Cleaning will continue to be driven by the growth of small business units in the short-term

Two-thirds of the growth in the number of Cleaning businesses over the past 10 years have come from the growth in 0 full-time equivalent (FTE) Registered Limited Liability Companies. These businesses will likely continue to be the main source of growth because:

- While growth in the number of 0 FTE Registered Limited Liability Companies has slowed slightly in recent years, it is unlikely to stop in the immediate future.
- the market has not yet reached saturation. Given the low barriers to entry and the scalability of small Cleaning businesses, it is likely that there is still short-term capacity for new businesses to enter the industry, particularly in localised areas where demand is not currently being met.
- Survival rates of Cleaning businesses are improving over time, which we would not expect to be the case if the industry was fully saturated.
- Qualitative insights suggest that there are significant advantages to entering the industry as a 0 FTE Registered Limited Liability Company rather than other business structures, meaning any growth in the short to medium term is likely to come from businesses of this type.

Our data suggests that the Cleaning industry is highly competitive, and likely approaching full saturation

Our data indicates that the market for Cleaning services has not yet reached full saturation but is likely approaching it.

Market saturation occurs when the supply of a service meets or exceeds demand (Equirus Wealth, n.d). Near-saturated markets tend to be highly competitive, with limited ability for firms to maintain strong margins.

Relative to this saturation point, a market can also experience:

- a surplus of supply relative to demand, putting downward pressure on prices
- a shortage of supply relative to demand, allowing businesses scope to raise prices due to scarcity.

In the Cleaning industry:

- larger Cleaning businesses (11+ FTE) record higher median total profit per FTE, although profits are trending downward toward pre-pandemic levels
- smaller Cleaning businesses (0 to 1 FTE) typically record very low median profits per FTE, often close to break-even. COVID-19 era increases have now returned to historic levels.

Overall, this suggests a very competitive and increasingly saturated market with limited pricing power. The continued entry of small Cleaning businesses adds downwards pressure to profit margins. While larger firms earn higher profit per FTE, this likely reflects scale advantages rather than untapped demand.

Changing workforce demographics over time reflect the changing demographics of the New Zealand labour force

Many of the workforce demographic trends highlighted in this report align with broader changes in the New Zealand labour force over the past decade. The Cleaning workforce shows an ageing workforce, increasing numbers of migrants and long-term residents, rising levels of educational attainment, and shifts in ethnic composition consistent with wider demographic trends.

Larger businesses are better at retaining workers within the industry

Larger Cleaning businesses are better at retaining workers than smaller businesses. This may reflect greater job security (such as long-term contracts, consistent hours, and administrative or support roles), clearer career pathways, and more stable working conditions. Worker income data supports this finding; employees in larger Cleaning businesses are more likely to report higher wage and salary earnings from their Cleaning work when compared to smaller businesses, and these Cleaning earnings made up a greater proportion of their total incomes. Additionally, we found that Registered Limited Liability Companies had better industry retention rates than other business types.

Worker destinations vary depending on how long they were employed in the Cleaning industry

Workers who spend only a short time in the Cleaning industry before leaving typically move into industries where the work does not closely align with cleaning-related skills (such as Hospitality, or Retail). In contrast, those who remain in the industry for several years before exiting are more likely to transition into industries where their experience is more relevant, such as Healthcare, where demand for cleaning roles is high.

Current data sources do not allow us to accurately identify franchisee Cleaning businesses

Qualitative research suggests that an increasing number of small Cleaning businesses operate through a franchisee model. This is important within the Cleaning industry, where the brand recognition provided through being a franchisee can play a large role in attracting customers. However, data within the Integrated Data Infrastructure and the Longitudinal Business Database do not enable identification of franchisee businesses. While we have reason to believe many 0 FTE Registered Limited Liability Companies operate this way, improved data collection from StatsNZ and Inland Revenue is required to determine the quantitative impact of franchise models on the industry.

Next steps for the Cleaning industry

Our findings suggest several practical next steps for supporting the Cleaning industry:

- Monitor industry health, including tracking entry and exit rates, financial performance, and pricing dynamics.
- Advocate for improved data collection about businesses by StatsNZ and Inland Revenue, particularly relating to franchisee structures.
- Assess opportunities for productivity improvements to improve business performance.
- Strengthen support for small businesses in the Cleaning industry, with a focus on encouraging sustainable pricing and fair wages to ensure competition is fair.
- Develop partnerships and collaborations between smaller and larger Cleaning businesses to support shared training, progression pathways, and labour-sharing arrangements.
- Undertake workforce planning to prepare the industry for an aging and more diverse workforce
- Promote quality-based differentiation, encouraging the use of service standards, or quality metrics to reduce the industry’s reliance on price-only competition.
- Review the qualifications and credentialing framework for the industry, including the potential for micro-credentials that recognise Cleaning experience and support worker progression and career transitions.

Methodology

Data sources

The analysis presented in this report is based on data held in the Integrated Data Infrastructure (IDI) and Longitudinal Business Database (LBD). These data are administrative, survey and census data that is de-identified and can be linked together, and data is available to be used for approved research (StatsNZ, 2022). Datasets used for this analysis included:

- the Business Register and Longitudinal Business Frame datasets (as the spine for the project) containing business information and financial performance metrics
- Inland Revenue data on wage, salary, withholding, self-employment and working shareholder income, as well as paid parental leave and Working for Families tax credits for individuals
- Inland Revenue data on business expenses and taxes paid
- Ministry of Social Development (MSD) data on benefit payments and Working for Families tax credits paid via MSD
- Department of Internal Affairs data on the visa status of individuals
- Ministry of Education and Census data on the qualifications held by individuals.

Study population

The study population consists of:

- **businesses** that are recorded in either the Business Register, or the Longitudinal Business Frame as a business involved in Building and Other Industrial Cleaning Services (defined as being tagged with ANZSIC code N731100) and recorded as “live” in either data source between the 2013 and 2024 tax years and are referred to in this report as “Cleaning businesses”
- **workers** attached to Building and Other Industrial Cleaning Services businesses (defined as individuals earning wage, salary, self-employment or owner income from a Commercial Building Cleaning business) between the 2013 and 2024 tax years.

Key measures of interest

In this analysis, we analyse outcomes across a range of administrative and survey sources for the businesses and workers in our study population. These outcomes are listed below:

- **Business demography:** For each tax year where a business is considered “live” we observe the characteristics of each business, including business type, number of employees, number of locations (and where those locations are) and how this changes over time.
- **Business performance:** For each tax year, where data is available for the business, we analyse measures of income, expenses, and profit, and where appropriate, how these differ by different business structures.
- **Business survival:** for each business “birth” observed between 2013 and 2024, we observe the status of the business for the next 10 periods (or less depending on the birth date), to calculate the survival rates of businesses and whether these are changing over time.
- **Worker demography:** for each tax year and census date we analyse the demographics of workers employed in the cleaning sector, and how this changes over time. Where possible we also look at whether there are differences in demographics between different business structures.
- **Worker tenure:** for new entrants into the sector, we see whether they continue to be working within the sector for the following 60 months, and if they exit the Cleaning industry, what industries they end up in.
- **Worker incomes:** we measure the total incomes of workers involved in the cleaning sector, and the different components of this income.

Financial measures (such as business performance data, and worker incomes) are adjusted for inflation, with the base quarter for adjustment being March 2023.

For worker-based measures, workers are assigned a primary employment type, and a primary business for the tax year. If the worker had income from being an employer (defined as positive or negative income related to “employer” sources of income), they were coded as an employer. If they did not have employer income but had income from self-employment sources (defined as positive or negative income as they can claim business expenses against their income) then they were coded as self-employed. All other workers with employment income were coded as employees. When they were involved with multiple businesses under an employment type (for example, they were a part-time employee for two businesses), the business the worker was assigned to during the year was the business where they earnt the most income.

Additionally, we also calculate how attached the worker is to the workforce. We have three measures of workforce attachment, defined as:

- **Full workforce**, meaning they participated in the Cleaning workforce in any capacity during the year
- **Inclusive workforce**, meaning the worker is either an employer, self-employed, or earns at least minimum wage for at least 43 hours in a month, and that this income threshold is met for at least 2 months in the year
- **Core workforce**, meaning the worker is either an employer, self-employed, or earns at least minimum wage for at least 129 hours in a month, and that this income threshold is met for at least 1 month in the year.

We analyse these measures to answer the following questions:

- What are the characteristics of Cleaning businesses in New Zealand?
- How does the performance of Cleaning businesses differ across business types and sizes?
- How does the survivability of Cleaning businesses differ across business types?
- What are the characteristics of workers that work in the Cleaning industry?
- Does the tenure of workers in the Cleaning industry differ by business type and size? What industries do Cleaning leavers end up in?
- What makes up the incomes of workers in the Cleaning industry?

Other variable definitions

Sociodemographic variables are mainly derived from the Census and from StatsNZ datasets used for this project. These variables include the age group, gender, total response ethnic group, and region of the workers included in the analysis. Sub-group groupings were chosen to ensure that StatsNZ confidentiality requirements were met.

Summary statistics

We report on summary statistics (sums, proportions/percentages, means and medians) for many analysis measures for businesses and workers in this analysis. This gives us a sense of the numbers and proportions of workers and businesses that had certain characteristics across the analysis period, by various sub-groups, and whether these proportions differed across measures of business type and size.

What are the characteristics of Cleaning businesses in New Zealand?

In this section we analyse the characteristics of Cleaning businesses in New Zealand, using measures of:

- the number of businesses
- business type
- business size
- business location
- economic significance.

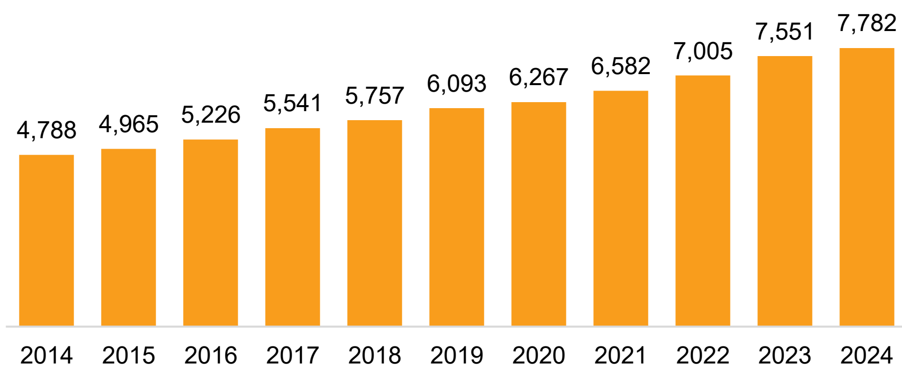
Key findings

- There were 7,782 Cleaning businesses in the tax year ended March 2024, and around 9 in 10 of these were economically significant.
- The number of Cleaning businesses in New Zealand has increased by 62.5% since the tax year ended March 2014.
- Most Cleaning businesses are Registered Limited Liability Companies.
- The growth in the number of Cleaning businesses has been driven by small Registered Limited Liability Companies, mainly with 0 full-time employee equivalents (FTE). These businesses almost make up half of all Cleaning businesses.
- Most Cleaning businesses are based in one geographic location, with just under half operating in Auckland.

There are 7,782 cleaning businesses in New Zealand as at the end of the tax year ended March 2024

The number of cleaning businesses has rapidly grown in the past 10 years, from 4,788 in the tax year ended March 2014, to 7,782 as at the end of the tax year ended March 2024 (Figure 1).

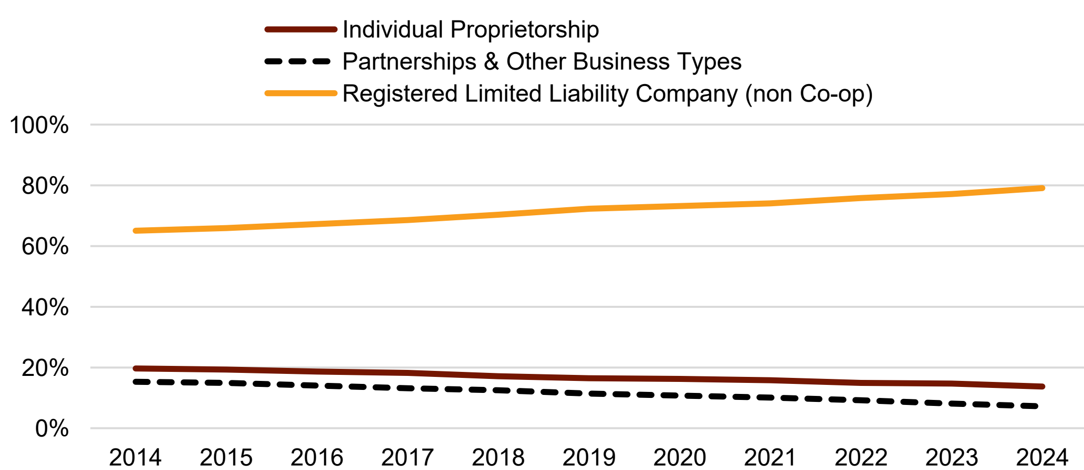
Figure 1: Number of live Cleaning businesses, from tax years ended 2014 to 2024



Registered Limited Liability Companies have been driving the growth in cleaning businesses over the past 10 years.

This growth in the number and proportion of Registered Limited Liability Companies (which make up the majority of Cleaning businesses) has coincided with falls in the proportion of businesses setup as Individual Proprietorships, Partnerships, and other types of businesses (Figure 2).

Figure 2: Percentage of Cleaning businesses, by business type, from tax years ended 2014 to 2024

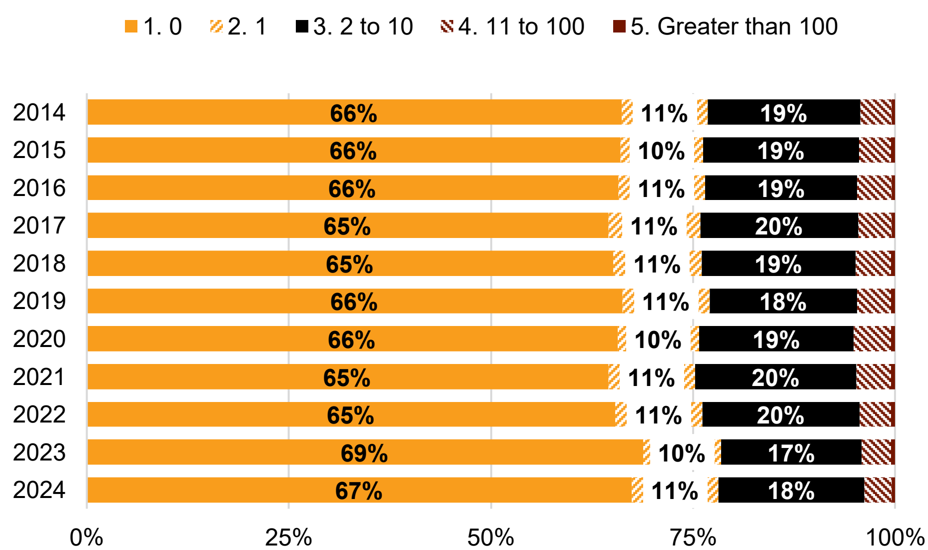


Approximately two-thirds of cleaning businesses have zero employees.

"Zero employee" companies do not have any people that are employed by them full-time but are instead are commonly run by working shareholders (who own and operate the business), and/or temporary, part-time and casual workers who collectively work less than one full-time equivalent (defined as 40 hours of employment per week).[1] These businesses are referred to throughout this report as "0 FTE".

Over time, around two-thirds of Cleaning businesses have had 0 FTE (Figure 3).

Figure 3: Percentage of Cleaning businesses, by business size, tax years ended March 2014 to March 2024

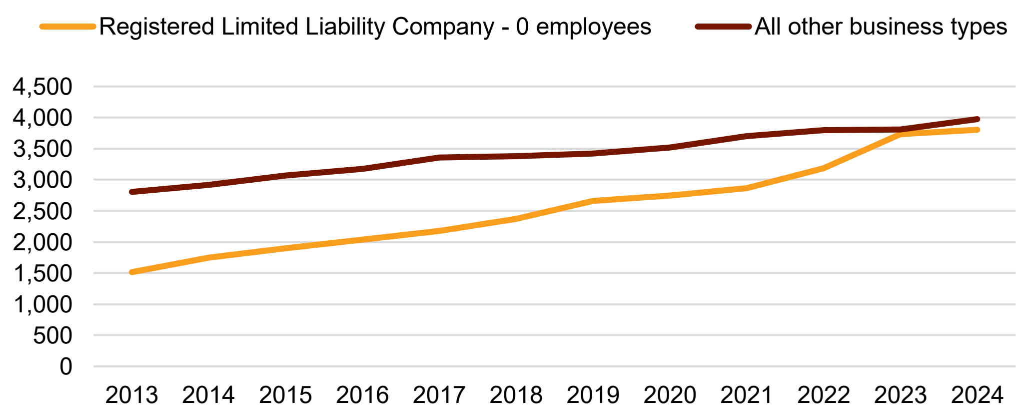


[1] This measure is used because it considers the workload of people in employment and therefore allows for more useful comparisons between businesses over time.

Most of the growth in the number of businesses has been from 0 FTE Registered Limited Liability Companies.

As of the tax year ended March 2024 there are now 2,289 more 0 FTE Registered Limited Liability Companies than there were for the tax year ended March 2014 (Figure 4). This accounts for two-thirds of the increase in businesses during this period.

Figure 4: Number of Cleaning businesses, by selected business type, tax years ended March 2014 to March 2024

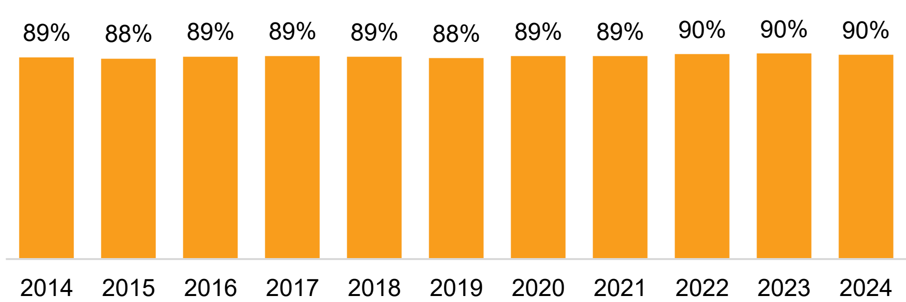


Around 9 in 10 cleaning businesses are considered economically significant

Economically significant companies are defined by StatsNZ as companies that meet selected criteria regarding sales, expenses, income, GST and employment.[2]

Around 90% of Cleaning businesses were measured as economically significant in the tax year ended March 2024 (Figure 5).

Figure 5: Percentage of Cleaning businesses considered economically significant over time, tax years ended March 2014 to March 2024

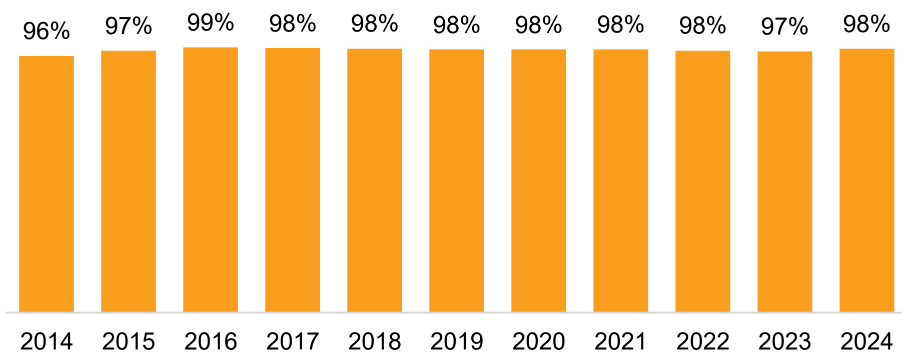


[2] For more information: [Annual Enterprise Survey - Stats NZ DataInfo+]

Almost all Cleaning businesses are based in one geographic area

This percentage has been relatively stable over time (Figure 6).

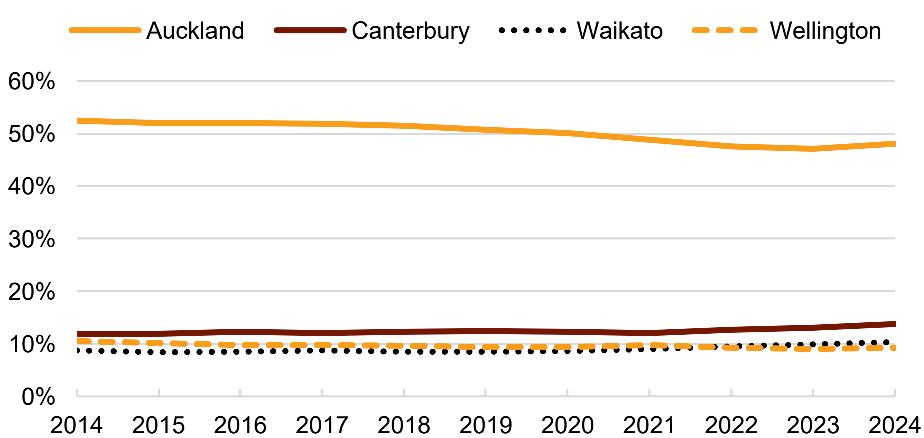
Figure 6: Percentage of Cleaning businesses based in one geographic area, tax years ended March 2014 to March 2024



The percentage of Cleaning businesses that were operating in Auckland has been gradually decreasing over time

For the tax year ended March 2024, 48% (3,738) of Cleaning businesses were operating in Auckland (Figure 7). Even though the number of businesses operating in Auckland has been growing (from 2,511 in the tax year ended March 2014, to 3,738 in the tax year ended March 2024), this percentage has been slowly decreasing over time. In contrast, the percentage of Cleaning businesses operating in Canterbury and Waikato has been slightly increasing over time.

Figure 7: Percentage of Cleaning businesses by selected regions, tax years ended March 2014 to March 2024



How does the performance of Cleaning businesses differ across business types and sizes?

In this section, we assess the performance of Cleaning businesses over time using the following business performance measures:

- Sales.
- Purchasing expenses.
- Gross margins.
- Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA).
- Net profitability.

We use the median measurements for this analysis. This is because the mean measurements are more susceptible to being skewed by outlier businesses, especially for some of the less common business types. All measures are adjusted by inflation, with the baseline quarter for adjustment being March 2023.

All measures are adjusted to reflect the ‘full time equivalents’ (FTE) working for the business. Per FTE adjusted measures are used to ensure that we are controlling for the specific size of the business when comparing between business types and sizes.

For all businesses, we count the business owners collectively as one FTE (except for partnerships, where we count the business owners collectively as two FTE). This allows us to ensure that we are including their contribution in calculating per FTE statistics.

All measures are broken down by business type and size.

Key findings

- Smaller businesses (regardless of business type) typically perform better on measures of total sales and earnings per FTE (such as earnings before interest, taxes, depreciation, and amortization (EBITDA)).
- Larger businesses (regardless of business type) have better performance on measures of gross margin, purchasing expenses, and total profit per FTE
    - This is likely due to having greater scale, allow for preferential deals when purchasing needed supplies or capital items.

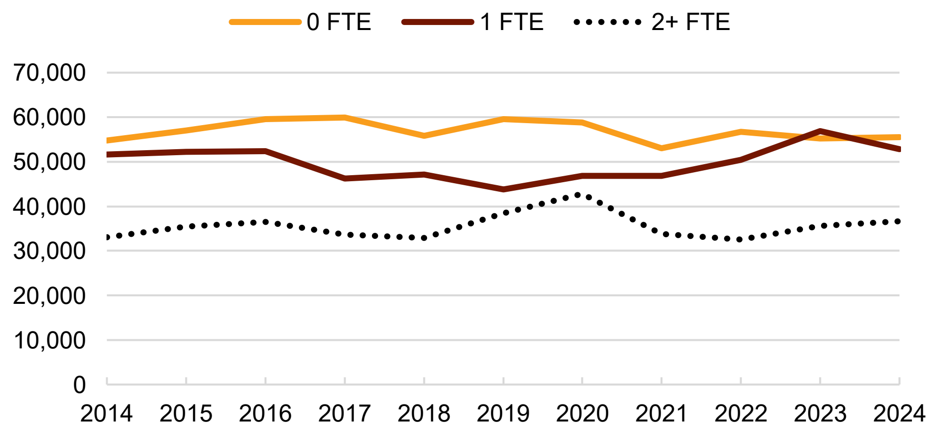
- Gross margins for most business types and sizes have been increasing over time, mostly reflecting increased sales, but also decreasing sales related expenses for some business types (such as 0 FTE businesses of any type).
- Net profitability is low for 0 FTE Registered Limited Liability Companies, with around 50% of these businesses making profit, and 50% recording losses.
- It is difficult to determine what impact COVID-19 has had on Cleaning businesses, as while some businesses appeared to do successfully during their period (for example, median total profit per FTE increased for most types of Registered Limited Liability Companies during this time), others did not.

0 FTE Individual Proprietorships perform better on median measures of sales, EBITDA and total profit

Total sales income per FTE was generally higher for 0 FTE Individual Proprietorships compared to larger Individual Proprietorships.

Median sales income per FTE have been relatively stable over time for Individual Proprietorships regardless of business size (Figure 8).

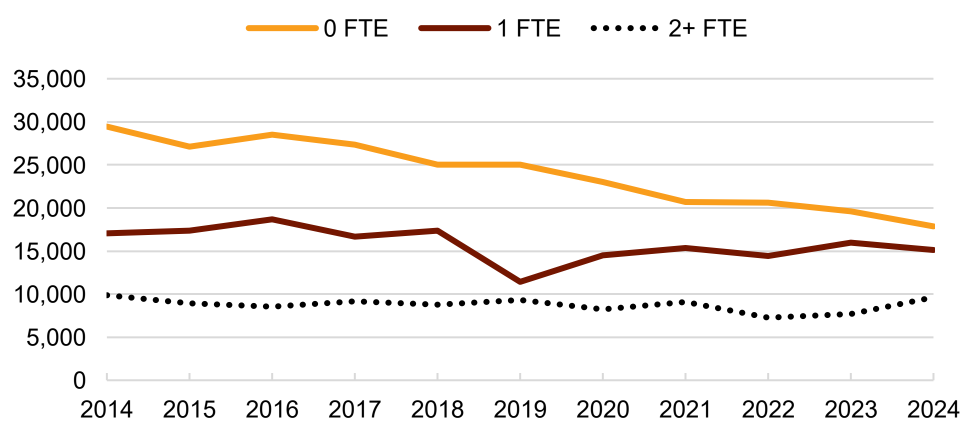
Figure 8: Median inflation adjusted sales per FTE in Individual Proprietorships, by business size, tax years ended March 2014 to March 2024



Purchasing expenses per FTE were higher for 0 FTE Individual Proprietorships.

Purchasing expenses have generally been decreasing over time for Individual Proprietorships. This rate of decrease has been higher for 0 FTE Individual Proprietorships (Figure 9).

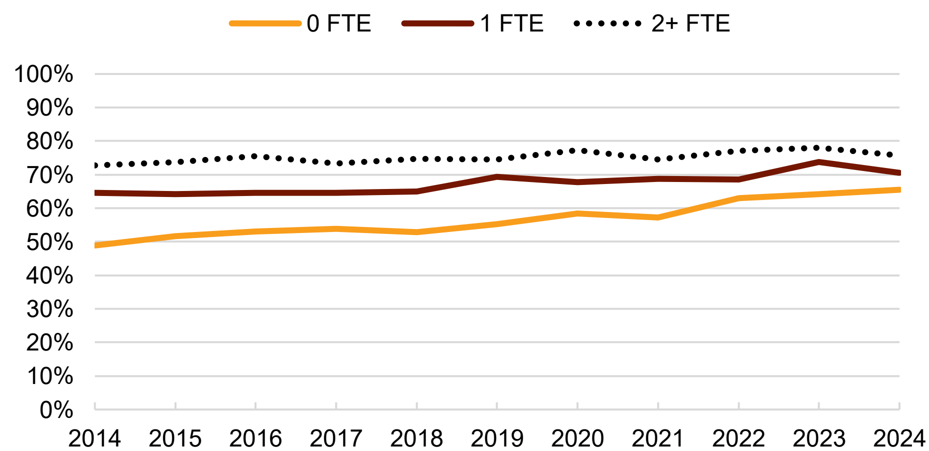
Figure 9: Median inflation adjusted purchasing expenses per FTE in Individual Proprietorships, by business size, tax years ended March 2014 to March 2024



Gross margins were lower for 0 FTE Individual Proprietorships compared to larger Individual Proprietorships.

Gross margins have been improving over time for Individual Proprietorships, particularly for 0 FTE Individual Proprietorships (Figure 10). Gross margins were higher as business size increased.

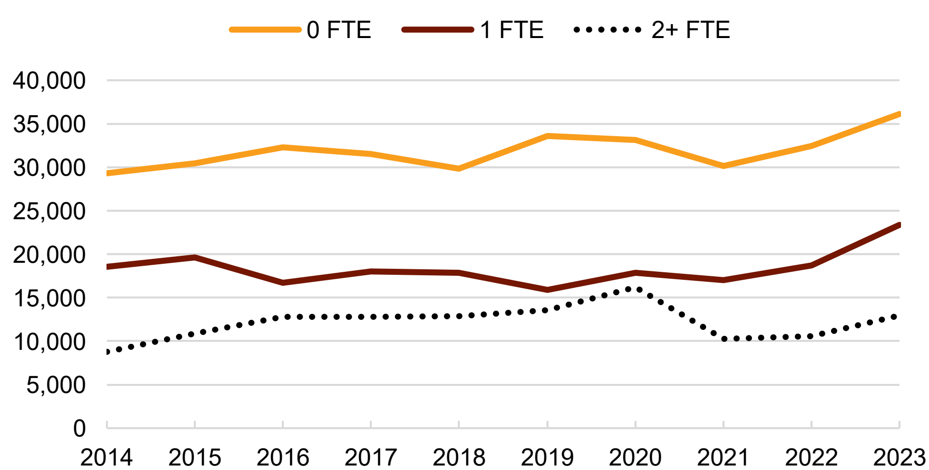
Figure 10: Median gross margin for Individual Proprietorships, by business size, tax years ended March 2014 to March 2024



Individual Proprietorships with 0 FTE had higher EBITDA per FTE when compared to larger Individual Proprietorships.

Median EBITDA per FTE has generally been improving over time for Individual Proprietorships, particularly for 0 FTE Individual Proprietorships (Figure 11).

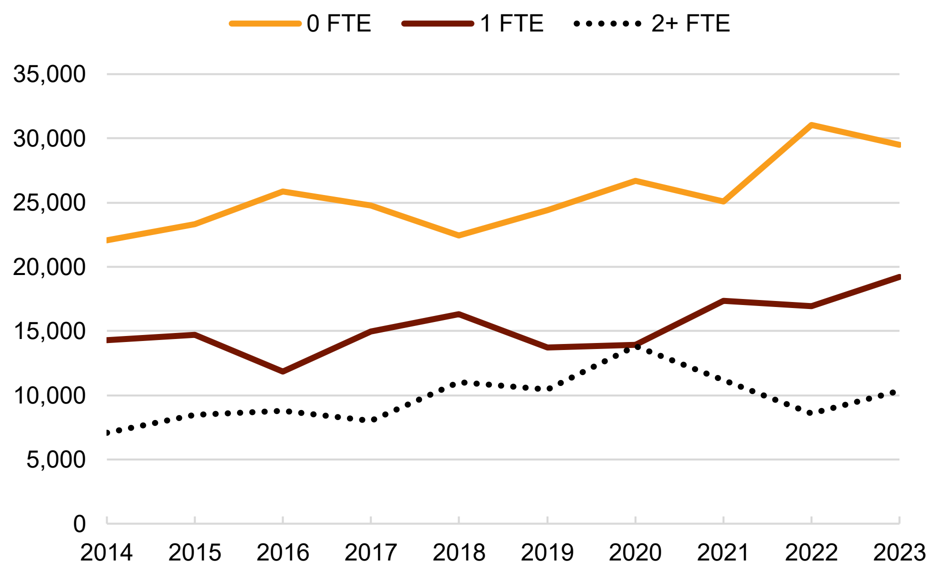
Figure 11: Median inflation adjusted EBITDA per FTE in Individual Proprietorships, by business size, tax years ended March 2014 to March 2023



Median total profit per FTE was higher for 0 FTE Individual Proprietorships than larger Individual Proprietorships over time.

Accounting for inflation, total profit per FTE has generally been increasing for all Individual Proprietorships over time (Figure 12).

Figure 12: Median inflation adjusted total profit per FTE in Individual Proprietorships, by business size, tax years ended March 2014 to March 2023

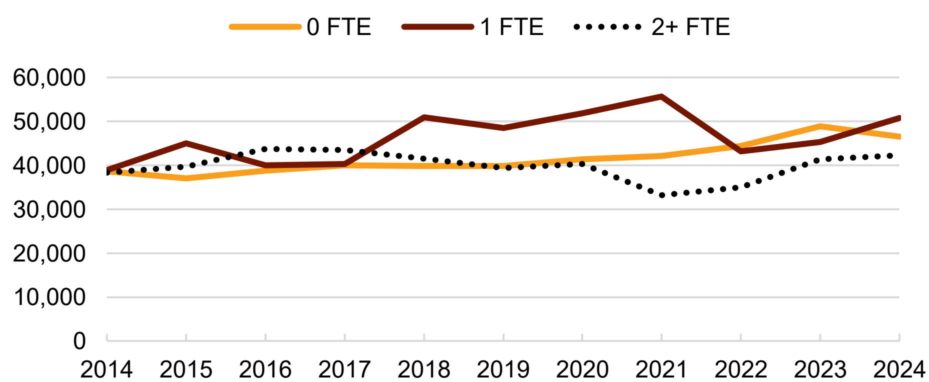


2+ FTE Partnerships & Other Business Types perform relatively more poorly on median sales, EBITDA and profit

Median total sales per FTE have been higher since the tax year ended March 2019 for 0 and 1 FTE Partnerships & Other Business Types when compared to larger Partnerships & Other Business Types.

Median sales per FTE have been improving over time for 0 and 1 FTE Partnerships & Other Business Types (Figure 13).

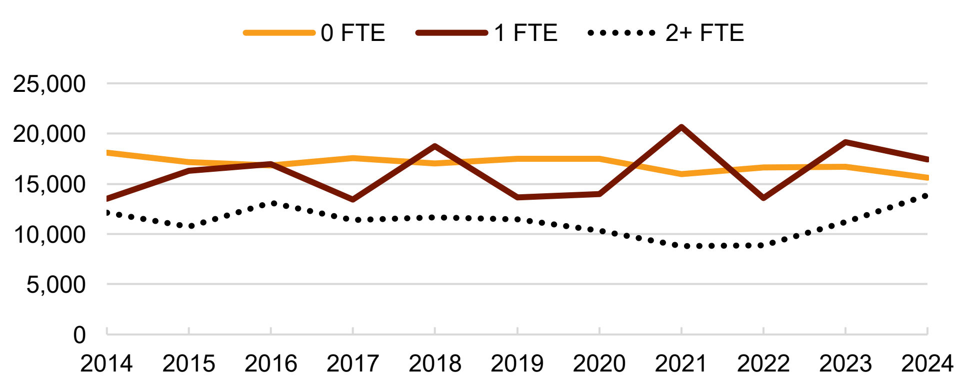
Figure 13: Median inflation adjusted sales per FTE in Partnerships & Other Business Types, by business size, tax years ended March 2014 to March 2024



Partnerships & Other Business Types with 2+ FTE had lower levels of median purchasing expenses per FTE over time.

Purchasing expenses have been decreasing marginally over time for 0 FTE Partnerships & Other Business Types, while remaining somewhat consistent for other sized Partnerships & Other Business Types (Figure 14).

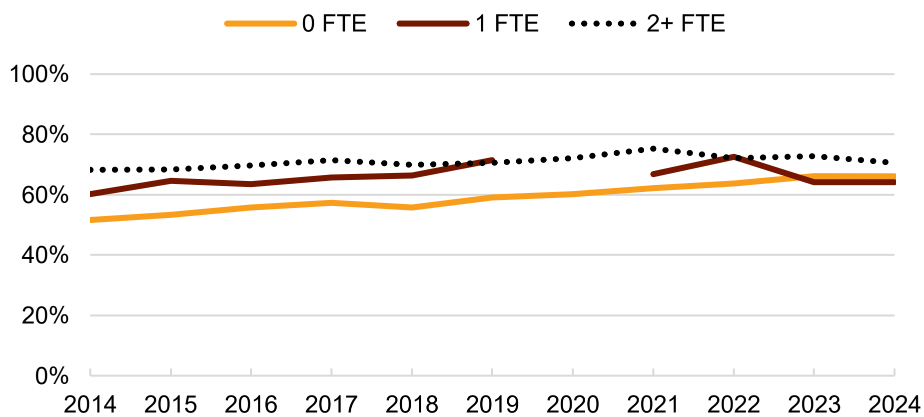
Figure 14: Median inflation adjusted purchasing expenses per FTE in Partnerships & Other Business Types, by business size, tax years ended March 2014 to March 2024



Median gross margins are higher for 2+ FTE Partnerships & Other Business Types compared to smaller Partnerships & Other Business Types.

Median gross margins are increasing for Partnerships & Other Business Types over time, particularly for 0 FTE Partnerships & Other Business Types (Figure 15).

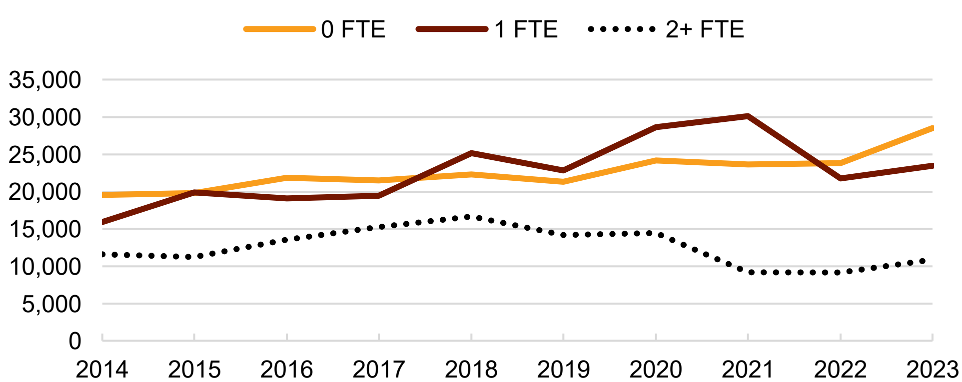
Figure 15: Median gross margin in Partnerships & Other Business Types, by business size, tax years ended March 2014 to March 2024[3]



2+ FTE Partnerships & Other Business Types have lower median EBITDA per FTE over time when compared to smaller Partnerships & Other Business Types

Median EBITDA per FTE has been increasing for 0 FTE and 1 FTE Partnerships & Other Business Types over time (Figure 16). Median EBITDA has been trending downwards for 2+ FTE Partnerships & Other Business Types since 2018.

Figure 16: Median inflation adjusted EBITDA per FTE in Partnerships & Other Business Types, by business size, tax years ended March 2014 to March 2023



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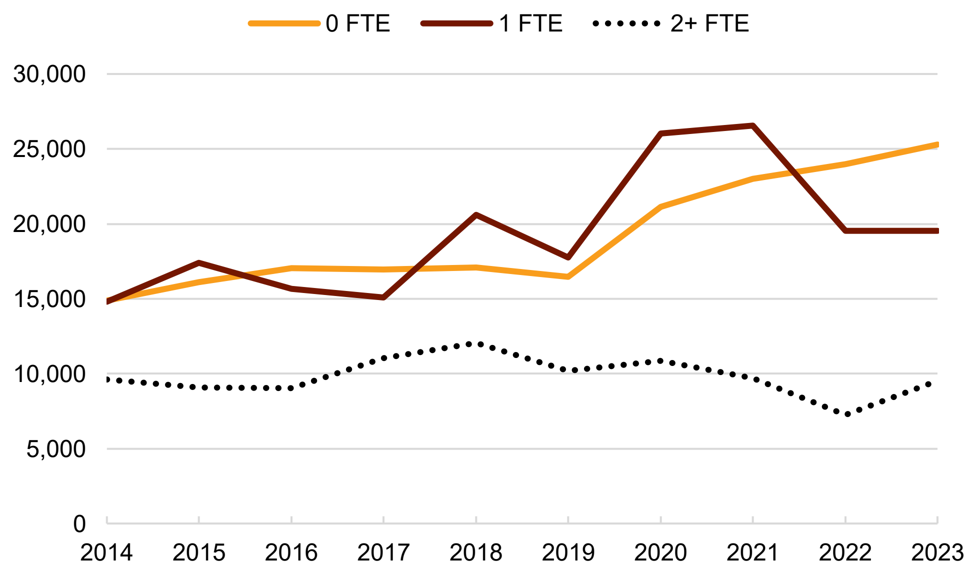
[3] Gross margin data for 1 FTE Partnerships & Other Business Types in 2020 is unavailable due to StatsNZ confidentiality requirements.

Median total profits per FTE for 2+ FTE Partnerships & Other Business Types are lower compared to smaller Partnerships & Other Business Types.

Median total profit per FTE has been increasing for 0 and 1 FTE Partnerships & Other Business Types over time, while remaining relatively stagnant for 2+ FTE Partnerships & Other Business Types (Figure 16).

Figure 17: Median inflation adjusted total profit per FTE in Partnerships & Other Business Types, by business size, tax years ended March 2014 to March 2023

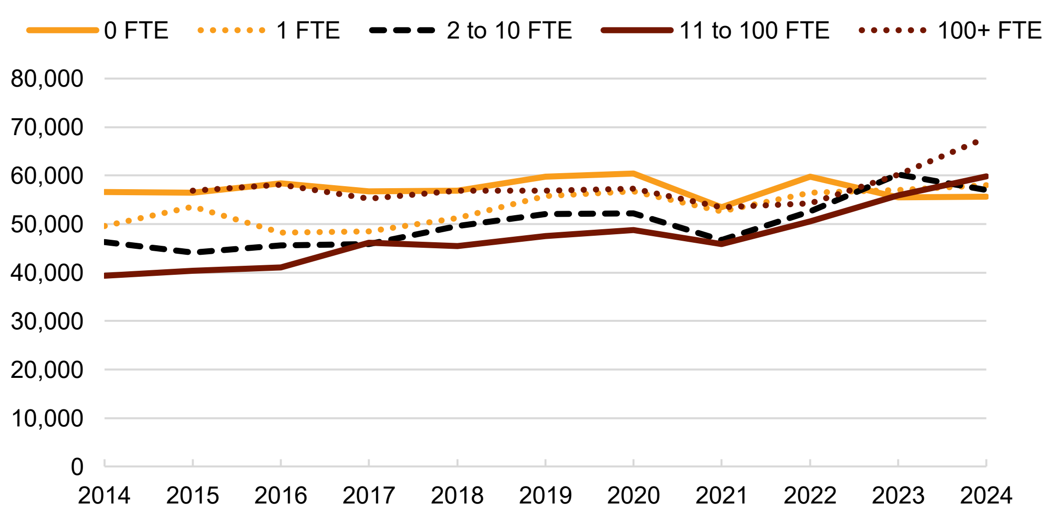


0 FTE Registered Limited Liability Companies perform strongly on EBITDA, but poorer across other measures

Median total sales per FTE have been stagnant for 0 FTE Registered Limited Liability Companies over time.

Across the tax years ended March 2014 to March 2024, 0 FTE Registered Limited Liability Companies have generally had a consistent level of median total sales per FTE (Figure 18). In contrast, Registered Limited Liability Companies with 2 or more FTE have shown strong growth in median total sales in recent tax years, particularly after the tax year ended March 2021.

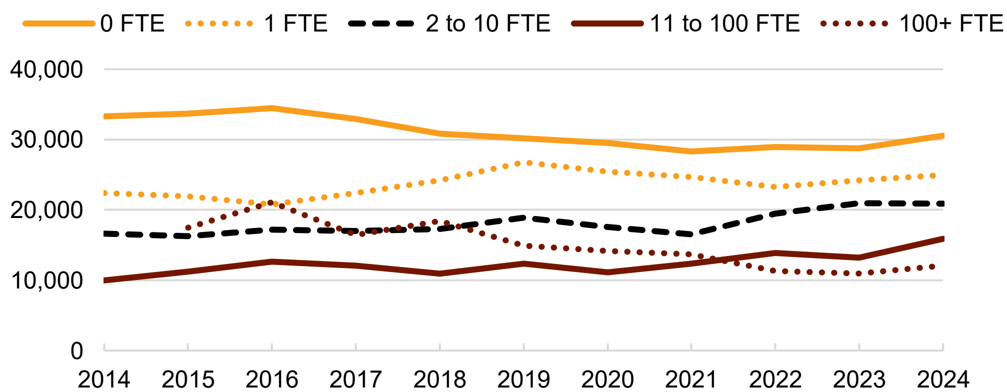
Figure 18: Median inflation adjusted sales per FTE in Registered Limited Liability Companies, by business size, tax years ended March 2014 to March 2024



Median purchasing expenses per FTE were highest for 0 FTE Registered Limited Liability Companies.

Median purchasing expenses per FTE have been decreasing over time for 0 FTE Registered Limited Liability Companies (Figure 19). Median purchasing expenses per FTE generally decreased as the size of the business increased, though have generally increased for most business sizes since the tax year ended March 2021.

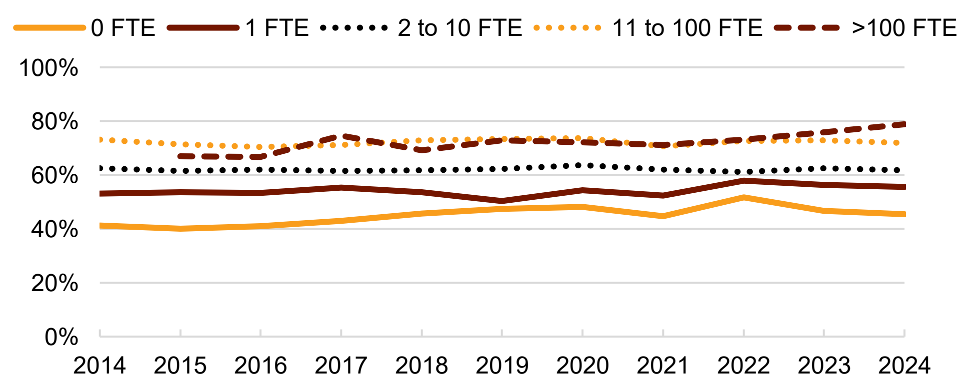
Figure 19: Median inflation adjusted purchasing expenses per FTE in Registered Limited Liability Companies, by business size, tax years ended March 2014 to March 2024



Median gross margins typically increase as the size of the Registered Limited Liability Company increases.

Median gross margins mostly increase up until the size of the Registered Limited Liability Company exceeds 11 FTE (Figure 20). Median gross margins have improved slightly over time for 0, 1 and 100+ FTE Registered Limited Liability Companies.

Figure 20: Median gross margin in Registered Limited Liability Companies, by business size, tax years ended March 2014 to March 2024[4]

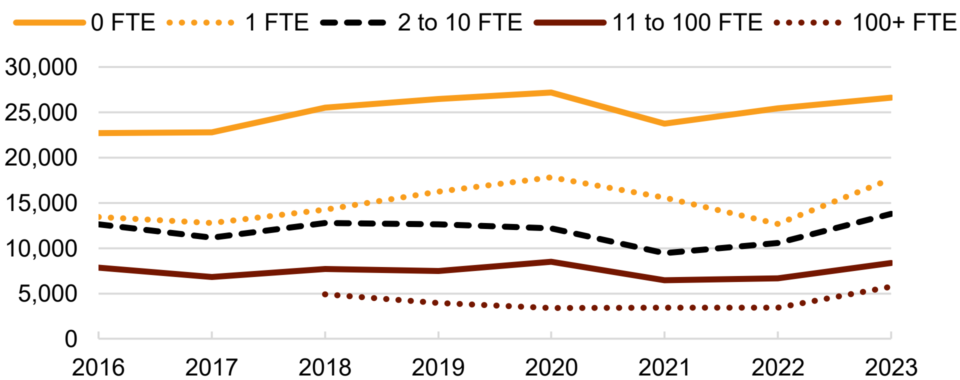


[4] Gross margin figures for 100+ FTE businesses are unavailable for the tax year ended March 2014 due to IDI & LBD confidentiality rules.

Median EBITDA per FTE is higher over time for 0 FTE Registered Limited Liability Companies

Median EBITDA per ETA decreases as the size of the business increases (Figure 21). These figures have generally improved for smaller businesses over time.

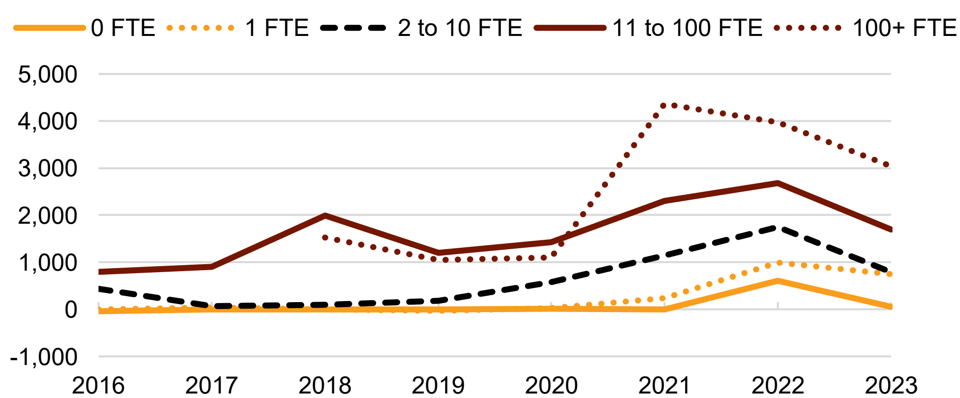
Figure 21: Median inflation adjusted EBITDA per FTE in Registered Limited Liability Companies, by business size, tax years ended March 2016 to March 2023[5]



Registered Limited Liability Companies with 0 FTE barely record median total profits that are greater than $0 per FTE over time.

In contrast, as business size increases, total profit per FTE also increases (Figure 22). All business types experienced an increase in total profit per FTE between the tax years ended March 2021 and March 2022, before decreases in the tax year ended March 2023, reflecting initially increased demand for services during this period due to COVID-19, followed by a decline as demand lessened in the following years.

Figure 22: Median inflation adjusted total profit per FTE in Registered Limited Liability Companies, by business size, tax years ended March 2016 to March 2023



[5] EBITDA per FTE figures for 100+ FTE Registered Limited Liability Companies are not available for the tax years ended March 2016 and March 2017 due to FTE and LBD confidentiality requirements.

How does the survivability of Cleaning businesses differ across business types?

In this section we explore business survival rates across cleaning businesses and how these differ by time and business type. This is important for understanding whether certain business types are associated with better survival rates, and whether there are any time related trends. This can help put their financial performance into context.

Businesses are grouped together based on the tax year in which they were counted as "live" for the first time. Businesses are assigned a business type at birth. This business type is then used for the entirety of the analysis. Our analysis then looks at the mean, minimum and maximum cohort values to determine our survival rate curves over time.

In this section, we do not break out the business type by number of employees. This is because the number of employees within a business changes over time, making it difficult to accurately categorise businesses with this measure.

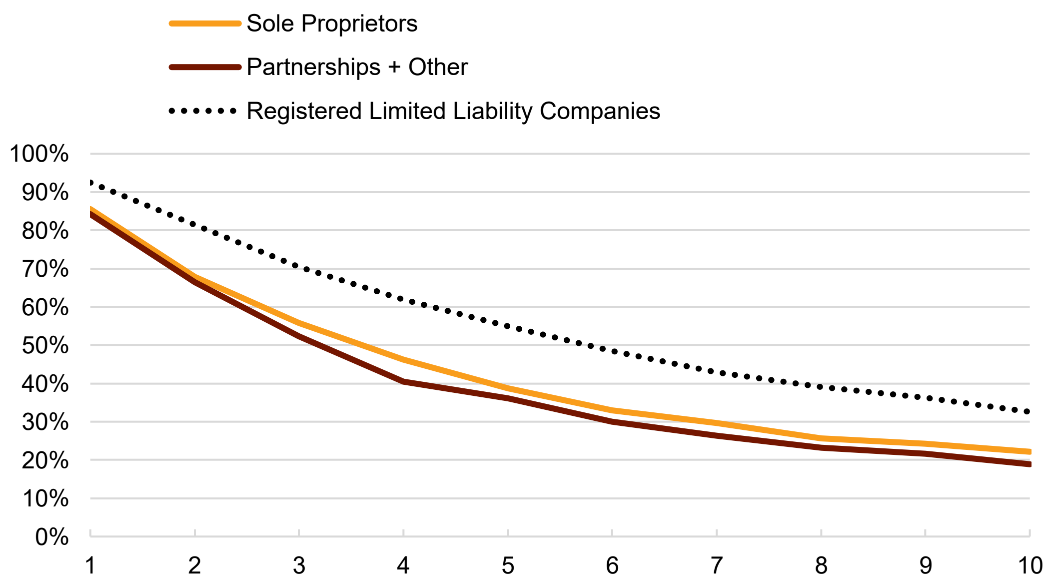
Key findings

- Registered Limited Liability Companies have substantially higher survival rates than other business types, across the short, medium and long term.
- Individual Proprietors had marginally better survival rates compared to Partnerships & Other Business Types.
- Survival rates for Registered Limited Liability Companies appear to be improving over time.
- Some possible reasons for Registered Limited Liability Companies having better survival rates could include (and are not limited to):
    - Tax and legal benefits
    - Ease of hiring workers and expanding the business
    - New customers preferring to purchase cleaning services from known brands (such as franchisees utilising a brand name), which are commonly structured as Registered Limited Liability Companies.

Registered Limited Liability Companies have better survival rates than other business types

This difference in survival rates between business types was at its greatest in tax years 4 to 6 after formation (Figure 23).

Figure 23: Survival rates over time, by business type, for businesses founded in the tax years ended between March 2013 and March 2024

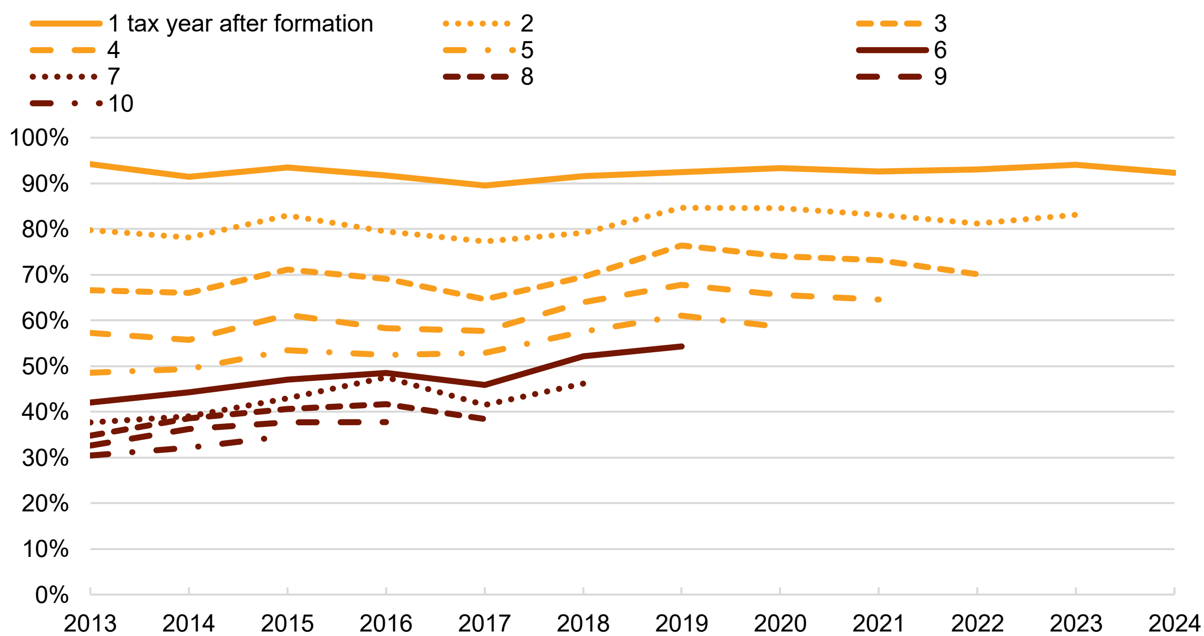


Survival rates for Individual Proprietorships, Partnerships and Other Business Types did not appear to be increasing or decreasing with time. However, for Registered Limited Liability Companies, there was a time-based trend observed in the data, which is discussed on the following page.

Survival rates for Registered Limited Liability Companies appear to be improving over time

Figure 24 visually shows that as early as two tax years after formation, but particularly from 4 tax years after formation onwards, the survival rates of Registered Limited Liability Companies appear to be improving over time.

Figure 24: Survival rates for Registered Limited Liability Companies, grouped by number of tax years after formation, by year of founding, for businesses founded between tax years ended March 2013 and March 2024



Time series regression analysis suggests that survival rates are improving by approximately 0.7 percentage points per year (Table 1).

Table 1: Time series regression analysis of survival rates over time for Registered Limited Liability Companies founded between the tax years ended March 2013 and March 2024

Variable	Estimate (Standard error)	p-value
Intercept	89.02% (1.91%)	<0.001
Analysis year (2013 = 1)	0.73% (0.22%)	0.00152
Tax years since formation	-6.74% (0.24%)	<0.001
R-squared	0.9365	

What are the characteristics of workers that work in the Cleaning industry?

In this section, we describe the demographic characteristics of workers that are working in the Cleaning industry over time by the following breakdowns:

- age group
- gender
- ethnic group
- employment type
- highest qualification level
- region
- visa type.

We also discuss whether there are differences depending on the business type and size where the worker works, and the attachment worker has to the Cleaning workforce.

Key findings

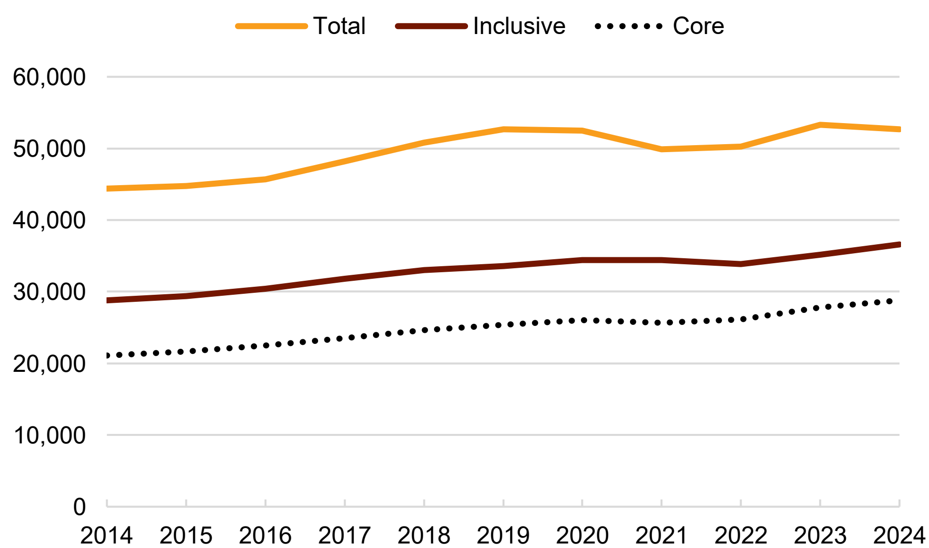
- For the tax year ended March 2024, there were 52,700 workers in the Cleaning industry.
- Approximately 69% of workers in the Cleaning industry were considered part of the inclusive workforce, and 55% were considered part of the core workforce.
- For the tax year ended March 2024, considering the full workforce, workers most commonly:
    - were aged between 25 to 34 (26%) or 35 to 44 (21%)
    - were female (54%)
    - identified as European (38%) or Asian (32%)
    - held a level 1 to 3 qualification (47%)
    - were based in Auckland (38%)
    - were NZ citizens (47%)
- Over time, workers appeared to be:
    - More likely to be aged between 25 to 44
    - Asian or MELAA
    - Holding a level 4 or higher qualification
    - NZ residents or on work visas.

- When considering interactions between different demographic characteristics, we found that:
    - Female workers typically made up between 50% to 60% of workers in each age group, except for workers 65 and over.
    - Workers aged between 25 to 54 were more likely to identify as Asian or MELAA
    - Qualification levels differed significantly by age group
    - Workers who identified as Māori, Pacific or MELAA were more likely to be female compared to the overall Cleaning workforce
    - Male workers were more likely to have level 4 to 6 qualifications and bachelor level degrees.
    - European, Māori and Pacific workers were more likely to have no qualifications or level 1 to 3 qualifications.
- When considering differences by business type (compared to the overall Cleaning workforce) we found that:
    - workers at individual proprietorships were more likely to be older, female, identify as European, hold a level 4 to 6 qualification, be based in Canterbury, and hold either NZ citizenship or NZ residency
    - workers at partnerships or other business types were more likely to be older, female, identify as Asian, hold no qualification, be based in Waikato, and hold NZ residency
    - workers in Registered Limited Liability Companies with higher workforce attachment were more likely to be older, male, identify as Asian, be employers, be based in Auckland, and be NZ residents.
- The demographic profile of workers within Registered Limited Liability Companies differed significantly when considering business size. Workers in smaller businesses (with less than 11 employees) were more likely to (when compared to the overall average):
    - be aged between 25 and 44
    - be male
    - identify as Asian
    - hold a qualification that was rated as level 4 or higher on the New Zealand National Qualification Framework
    - be an employer or self-employed
    - be based in Auckland
    - be a NZ resident.

The number of workers involved in the Cleaning industry has been increasing over time

The number of workers involved in the Cleaning industry totalled 52,700 for the tax year ended March 2024 (Figure 25). This was an increase of 18.7% compared to the tax year ended March 2014. Total workers has been increasing up until the tax year ended March 2019, before fluctuating since.

Figure 25: Number of workers in the Cleaning industry, by workforce attachment definition, for tax years ended March 2014 to March 2024



For the tax year ended March 2024, approximately 69% of workers in the Cleaning industry were considered part of the inclusive workforce, and 55% were considered part of the core workforce.

Around 47% of workers involved in the Cleaning industry were aged 25 to 34 or 35 to 44

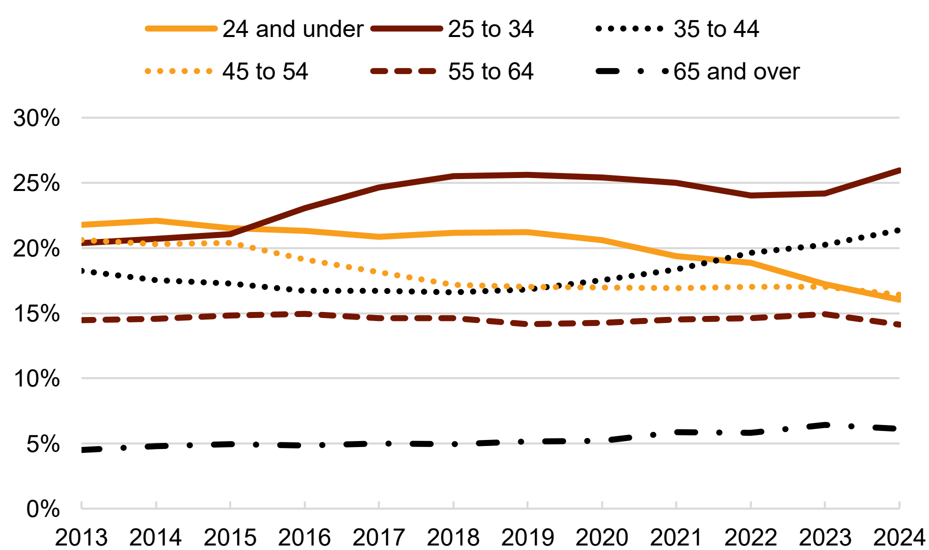
For the tax year ended March 2024, workers were most commonly aged 25 to 34 (26%), followed by 35 to 44 (21%) (Table 2).

Table 2: Number and percentage of workers, by age group, tax year ended March 2024

	24 and under	25 - 34	35 - 44	45 - 54	55 - 64	65 and over
Number	8,400	13,600	11,200	8,600	7,400	3,200
Percentage	16%	26%	21%	16%	14%	6%

The percentage of workers in these age groups, as well as workers aged 65 and older, has been increasing over time (Figure 26). By contrast, the percentage of workers aged 24 and under, and 45 to 54 has been decreasing.

Figure 26: Percentage of workers, by age group, tax years ended March 2013 to March 2024



Just over 54% of workers were female

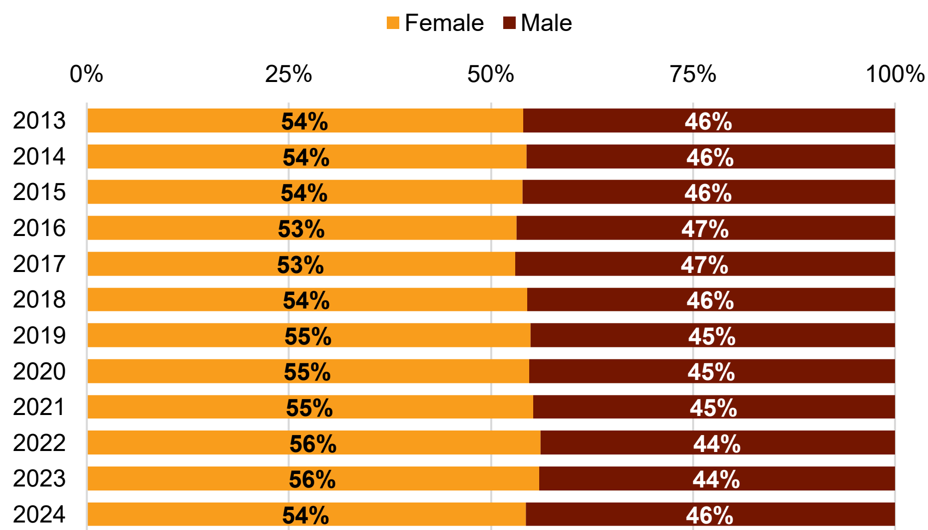
For the tax year ended March 2024, most workers were female (54%) (Table 3).

Table 3: Number and percentage of workers, by gender, tax year ended March 2024

	Female	Male
Number	28,400	23,900
Percentage	54%	46%

This proportion has been relatively stable over time (Figure 27).

Figure 27: Percentage of workers, by gender, tax years ended March 2013 to March 2024



Workers in the Cleaning industry most commonly identified as European or Asian.

During the tax year ended March 2024, workers in the Cleaning industry most commonly identified as European (38%), followed by Asian (32%) (Table 4).

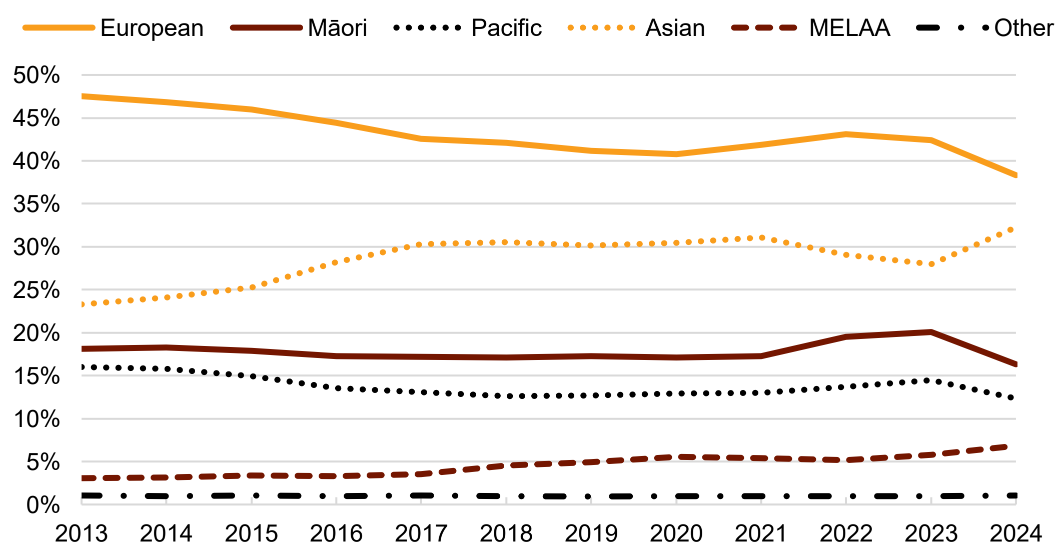
Table 4: Number and percentage of workers, by total response ethnic group, tax year ended March 2024

	European	Māori	Pacific	Asian	MELAA	Other
Number	20,200	8,600	6,500	17,000	3,600	550
Percentage	38%	16%	12%	32%	7%	1%

Note: As this is a total response measure, counts of workers will not add up to the total count of workers, and percentages will not necessarily sum to 100%.

The percentage of workers who identify as European and Pacific has been decreasing over time, while the percentage of workers who identify as Asian or MELAA has been increasing over time (Figure 28).

Figure 28: Percentage of workers, by total response ethnic group, tax years ended March 2013 to March 2024



In the tax years ended March 2021 to March 2023, there is an increase in the percentage of workers who identified as European, Māori or Pacific, and a corresponding increase in workers who identified as Asian. This trend reverses for the tax year ended March 2024. This likely reflects COVID-19 border restrictions impacting on the flow of overseas labour into New Zealand during this period (which is also reflected by the visa statuses of workers during this period, as discussed on page 40).

Just over 8 in 10 workers in the Cleaning industry were employees of a business.

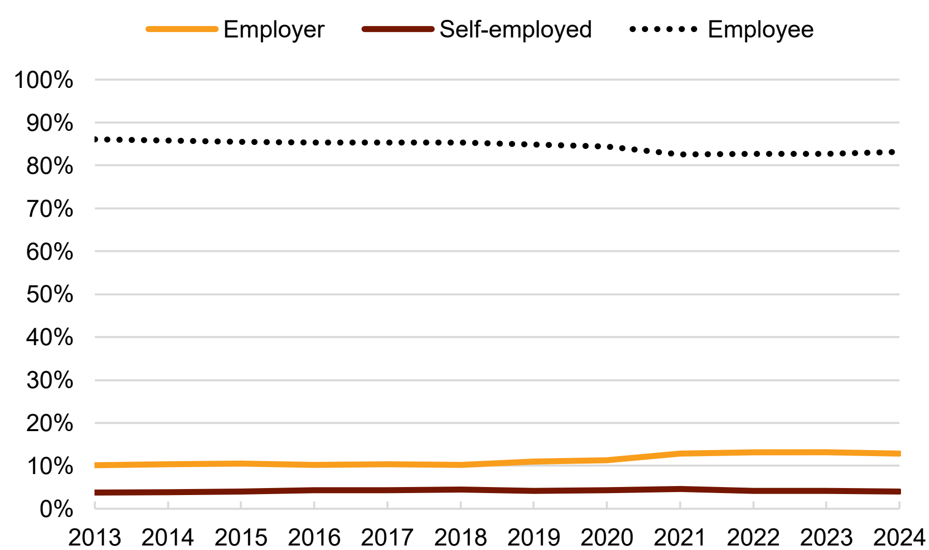
For the tax year ended March 2024, most workers in the Cleaning industry were employees (83%), followed by employers (13%) (Table 5).

Table 5: Number and percentage of workers, by primary employment status, tax year ended March 2024

	Employers	Self-employed	Employees
Number	6,800	2,100	43,800
Percentage	13%	4%	83%

The percentage of employers has grown slightly over the last few years, reflecting growth in the number of Cleaning businesses (Figure 29).

Figure 29: Percentage of workers, by primary employment status, tax years ended March 2013 to March 2024



Almost 50% of workers in the Cleaning industry during the had a level 1 to 3 qualification

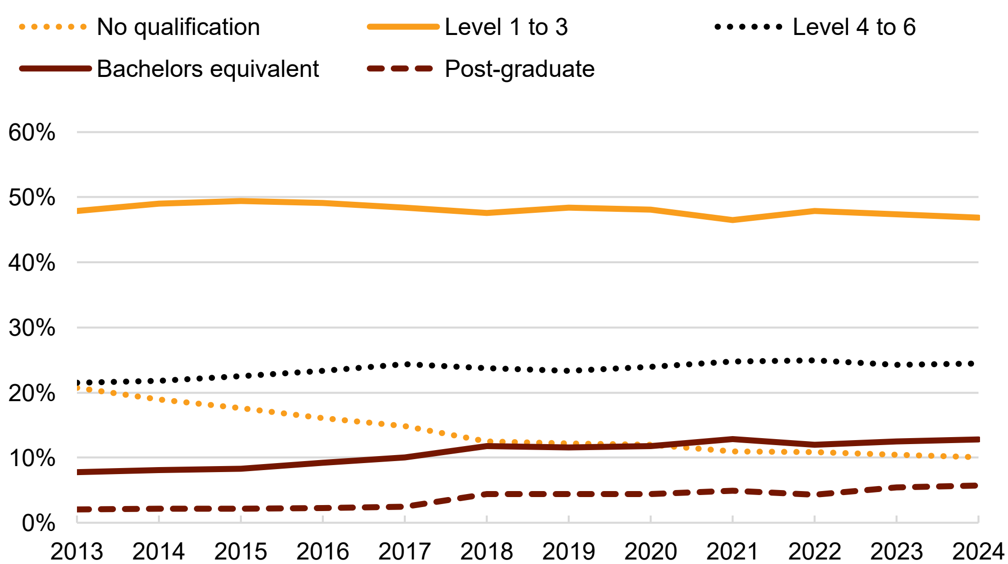
For the tax year ended March 2024, 47% of workers had a level 1 to 3 qualification (Table 6).

Table 6: Number and percentage of workers, by highest qualification level, tax year ended March 2024

	No qualifications	Level 1 to 3	Level 4 to 6	Bachelors equivalent	Post-graduate
Number	4,400	20,500	10,700	5,600	2,500
Percentage	10%	47%	24%	13%	6%

The percentage of workers with a level 1 to 3 qualification has been slightly decreasing since the tax year ended March 2015 (Figure 30). The percentage of workers without any formal qualification has fallen considerably over time. The percentage of workers with higher qualifications has been increasing over time.

Figure 30: Percentage of workers, by highest qualification level, tax years ended March 2013 to March 2024



Just under 40% of workers resided in Auckland

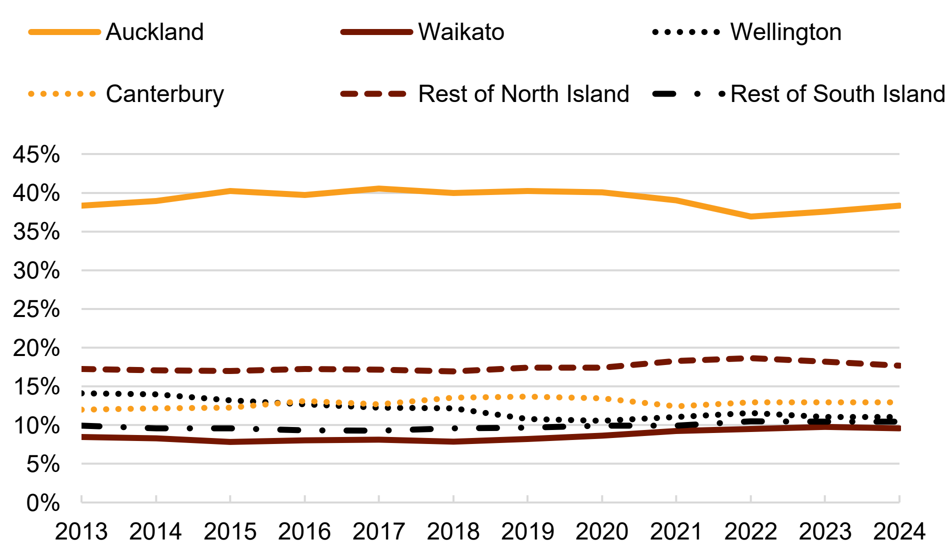
For the tax year ended March 2024, workers most commonly resided in Auckland (38%), followed by Canterbury (13%), Wellington (11%) and Waikato (10%) (Table 7).

Table 7: Number and percentage of workers, by location, tax year ended March 2024

	Auckland	Waikato	Wellington	Canterbury	Rest of North Island	Rest of South Island
Number	20,100	5,000	5,800	6,800	9,260	5,450
Percentage	38%	10%	11%	13%	18%	10%

Over time, there have been small shifts in the distribution of workers within the North Island, with marginally more workers now in the rest of the North Island and Waikato, and less in Auckland and Wellington (Figure 31).

Figure 31: Percentage of workers, by location, tax years ended March 2013 to March 2024



Most workers are NZ citizens

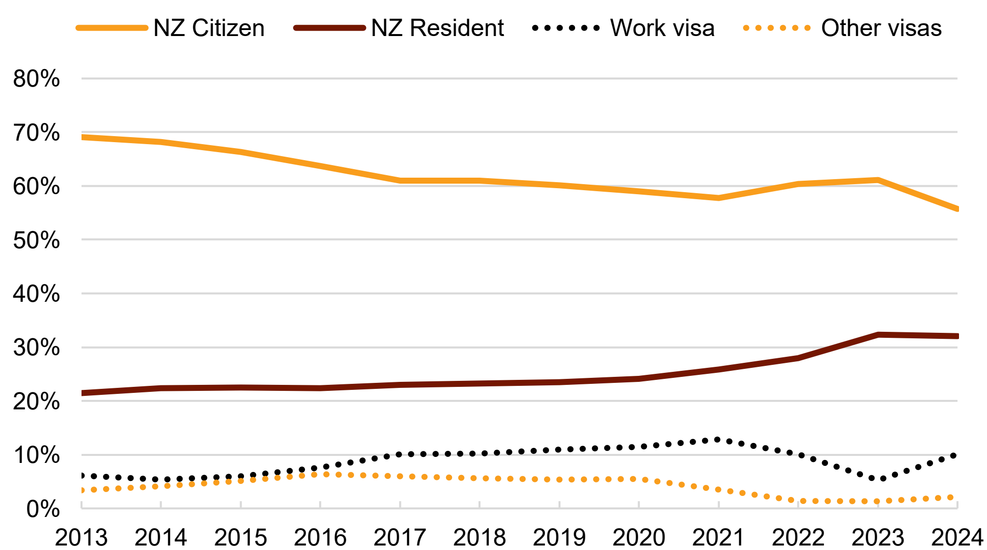
For the tax year ended March 2024, most workers were NZ citizens (56%), followed by NZ residents (32%) (Table 8).

Table 8: Number and percentage of workers, by visa and citizenship status, tax year ended March 2024

	NZ citizen	NZ resident	Work visa	Other visas
Number	29,400	16,900	5,300	1,155
Percentage	56%	32%	10%	2%

The percentage of workers who were NZ citizens has been falling over time, while the proportion of workers with NZ residency or work visas has increased (Figure 32).

Figure 32: Percentage of workers, by visa and citizenship status, tax years ended March 2013 to March 2024

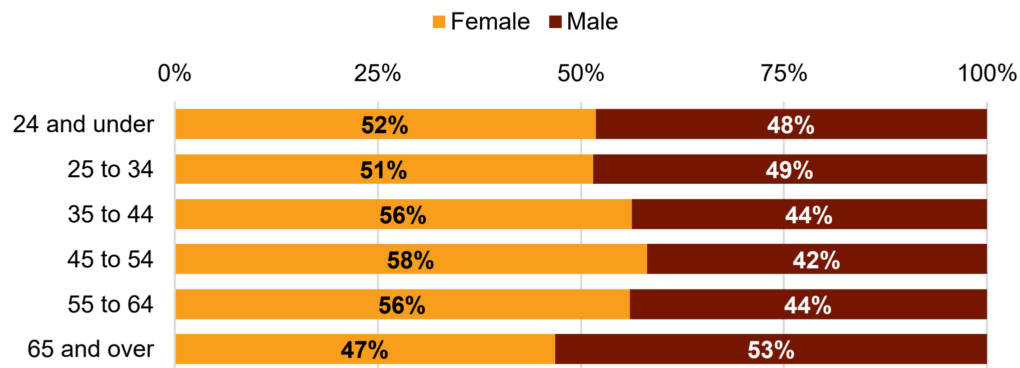


In the tax years ended March 2021 to March 2023, there is an increase of NZ citizens and NZ residents, and a corresponding decrease of workers with work visas or other visas. This trend reverses for the tax year ended March 2024. This likely reflects COVID-19 border restrictions impacting on the flow of overseas labour into New Zealand during this period.

Female workers typically made up between 50% to 60% of workers in each age group, except for workers 65 and over.

In the tax year ended March 2024, for most age groups, females made up between 50% and 60% of workers (Figure 33). The exception is workers aged 65 and over, which has slightly more male than female workers.

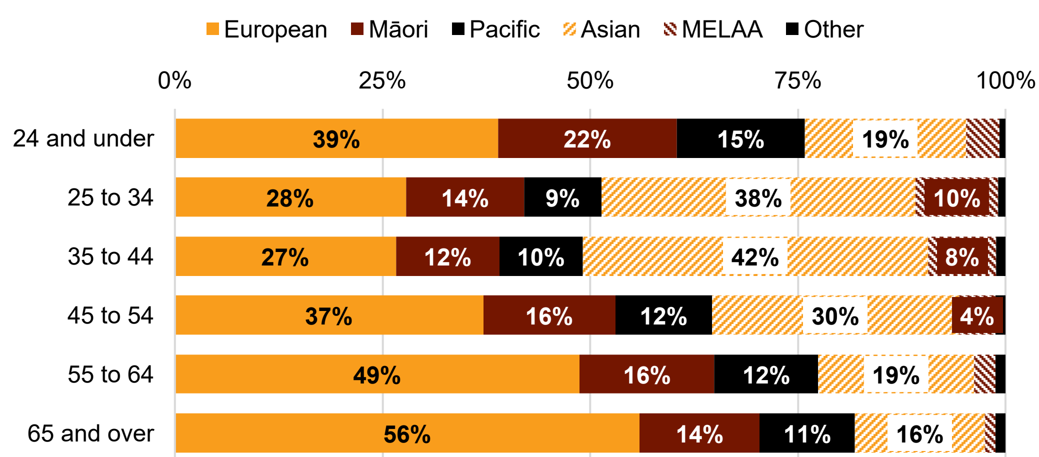
Figure 33: Percentage of workers, by age group and gender, tax year ended March 2024



Workers aged between 25 to 54 were more likely to identify as Asian or MELAA

In the tax year ended March 2024, workers aged 55 and over were more likely to identify as European (Figure 34). Additionally, workers aged 24 and under are more likely to identify as Māori or Pacific.

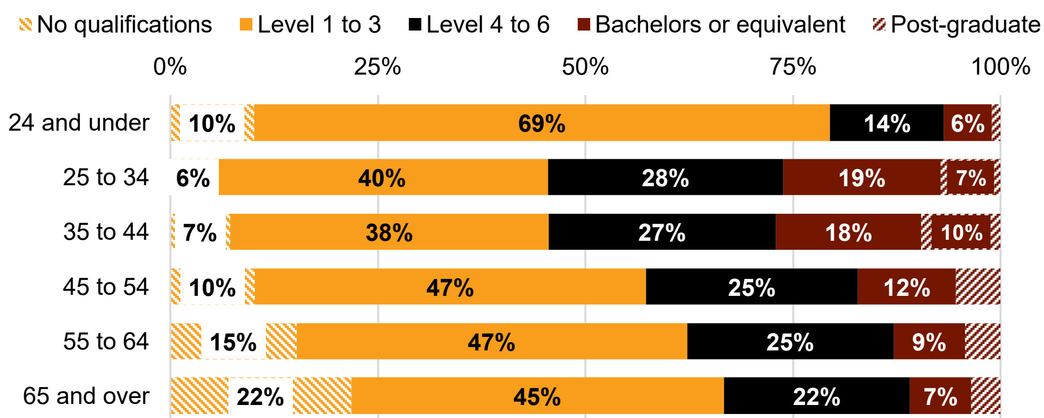
Figure 34: Percentage of workers, by age group and total response ethnic group, tax year ended March 2024



Qualification levels differ significantly by age group

In the tax year ended March 2024, workers aged 24 and under were much more likely to have a level 1 to 3 qualification (Figure 35). In comparison, as workers get older, they are more likely to have either no qualification at all or a level 1 to 3 qualification. Workers aged 25 to 44 appear more likely to have higher qualifications (with this likelihood decreasing with age).

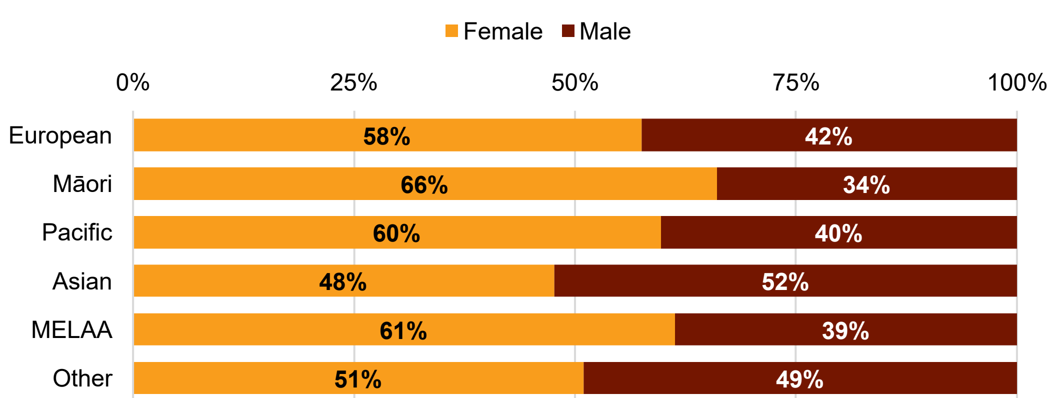
Figure 35: Percentage of workers, by age group and highest qualification level, tax year ended March 2024



Workers who identified as Māori, Pacific or MELAA were more likely to be female

In the tax year ended March 2024, workers who identified as Asian were mostly male (52%) (Figure 36). For all other ethnic groups, most workers were female, and for workers who identified as Māori, Pacific or MELAA over 60% were female.

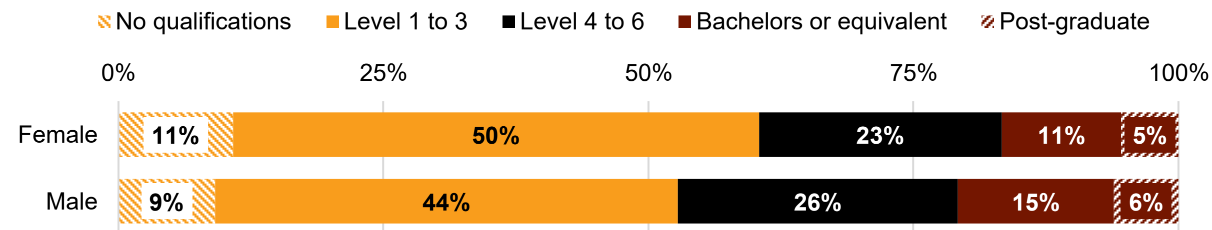
Figure 36: Percentage of workers, by total response ethnic group and gender



Male workers were more likely to have level 4 to 6 qualifications and bachelor level degrees.

In the tax year ended March 2024, female workers most commonly had a Level 1 to 3 qualification (Figure 37). Male workers were less likely to have a Level 1 to 3 qualification, but more likely to have Level 4 to 6, bachelor's degrees, or equivalent level qualifications

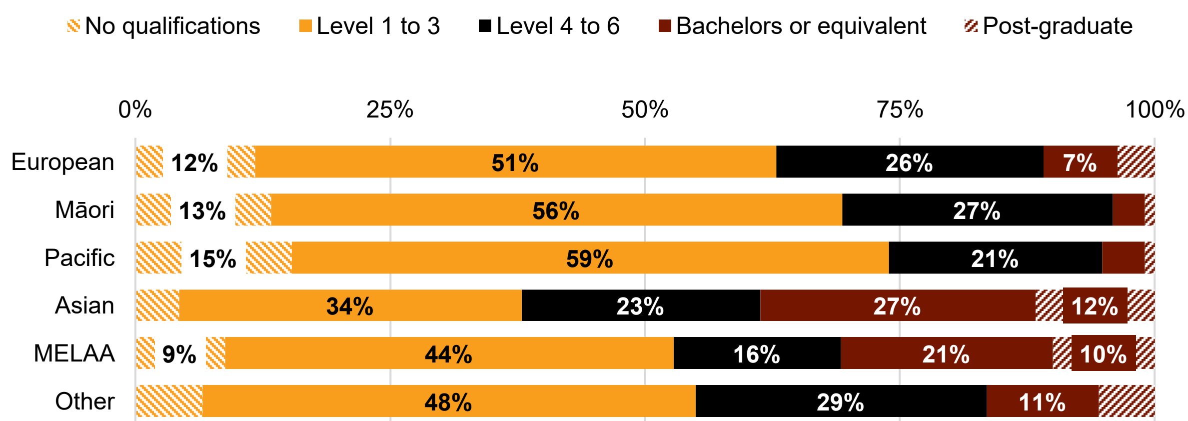
Figure 37: Percentage of workers, by gender and highest qualification level, tax year ended March 2024



Workers who identified as Asian, MELAA or as part of other ethnic groups were more likely to have higher qualifications

In contrast, European, Māori and Pacific workers most commonly had level 1 to 3 qualifications and were more likely to also have no qualifications. (Figure 38).

Figure 38: Percentage of workers, by total response ethnic group and highest qualification level, tax year ended March 2024



Workers at individual proprietorships were more likely to be older, female, identify as European, have higher qualifications, and hold either NZ citizenship or NZ residency

In the tax year ended March 2024, when compared to the full workforce, workers in sole proprietorships were more likely to:

- be aged 45 to 54 (19% compared to 16% overall), or 55 to 64 (19% compared to 14%)
- be female (57% compared to 54%)
- identify as European (54% compared to 38%)
- have a level 4 to 6 qualification (27% compared to 24%)
- be self-employed (57% compared to 4%)
- be in Canterbury (18% compared to 13%)
- be a NZ citizen (59% compared to 56%), or a NZ resident (35% compared to 32%)

Workers at Partnerships or Other Business Types were more likely to be older, female, identify as Asian, hold no qualifications, and hold NZ residency

In the tax year ended March 2024, when compared to the full workforce, workers in Partnerships and Other Business Types were more likely to:

- be aged 45 to 54 (20% compared to 16% overall), 55 to 64 (19% compared to 14%), or 65 and older (11% compared to 6%)
- identify as Asian (40% compared to 32%)
- have no qualification (12% compared to 10%)
- be an employer (48% compared to 11%)
- be in Southland (3% compared to 1%) or Waikato (15% compared to 10%)
- be a NZ resident (40% compared to 32%)

Demographics of workers within Registered Limited Liability Companies differed significantly by business size and attachment to the Cleaning industry.

In the tax year ended March 2024, characteristics of workers within Registered Limited Liability Companies differed greatly when considering business size. Our findings suggest that workers in smaller businesses (with less than 11 employees) were more likely to:

- be aged between 25 and 44
- be male
- identify as Asian
- hold a qualification that was rated as level 4 or higher on the New Zealand National Qualification Framework
- be an employer or self-employed
- be based in Auckland
- be a NZ resident.

In contrast, workers in larger businesses (with 11 or more employees) were more likely to:

- be aged 24 and under
- be female
- identify as European, Māori or Pacific
- hold no qualifications or qualifications rated lower than level 4 on the New Zealand National Qualification Framework
- be an employee
- be a NZ citizen.

A more detailed breakdown of these findings is available in Appendix 1.

There were also some differences when comparing workers within Registered Limited Liability Companies based on their attachment to the Cleaning workforce. Workers that were considered as more attached to the Cleaning workforce were more likely to: be older, male, identify as Asian, be an employer, hold a level 4 to 6 degree, and be a NZ resident.

Does the tenure of workers in the Cleaning industry differ by business type and size? What industries do Cleaning leavers end up in?

In this section, we measure the industry tenure of workers who begin an employment spell in the Cleaning industry. We look at their employment outcomes for 60 months (5 years) after the start of their stint and assess whether the worker is still working within the Cleaning industry. Tenure patterns are analysed by the business type and size of the employer at the start of the worker's stint.

We then examine the industries that former Cleaning workers move into at different points in time after leaving the industry.

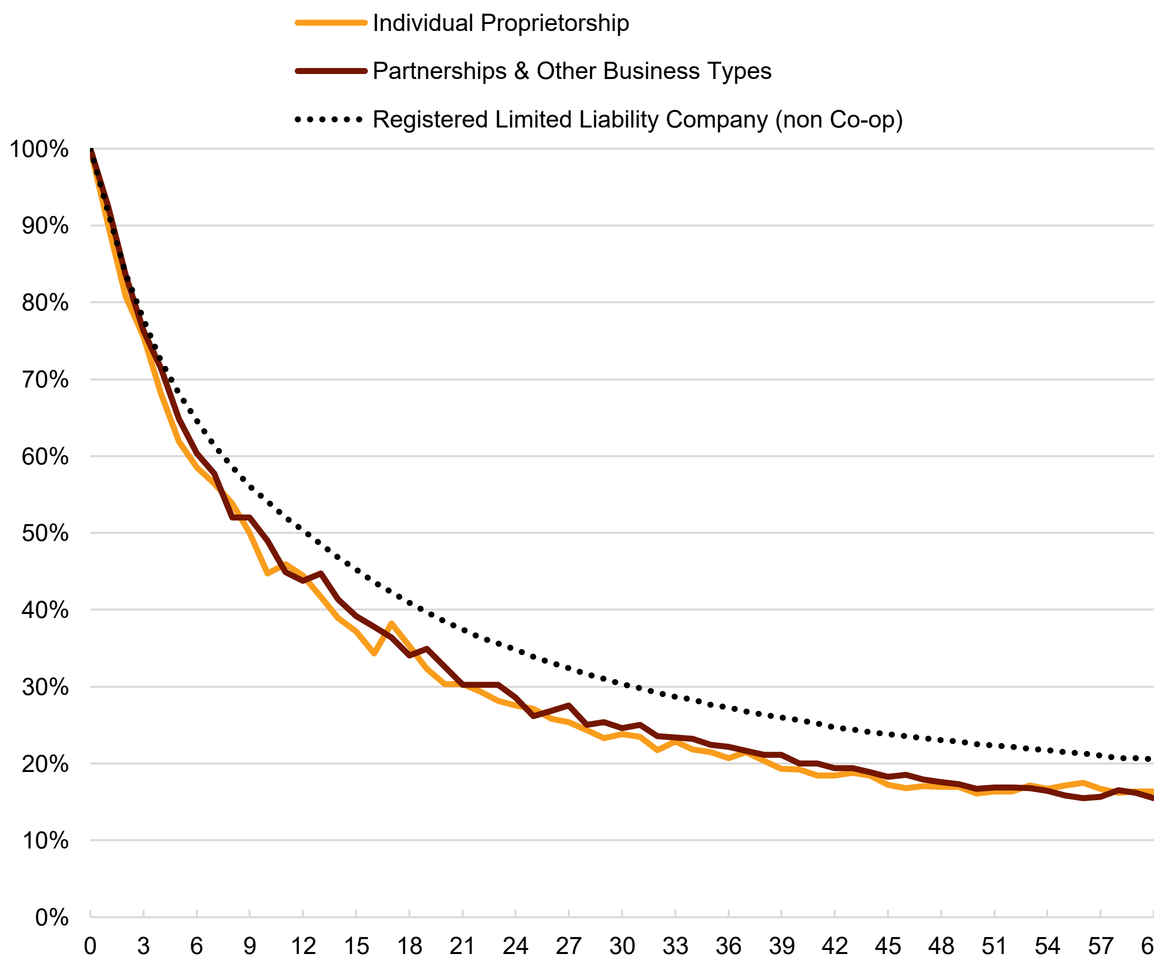
Key findings

- Workers who start in a larger Cleaning business are more likely to remain employed in the industry in the short term (1 year), medium term (2 to 3 years), and long term (5 years).
- Workers who start with a Registered Limited Liability Company also have higher short, medium, and long-term industry retention.
- In the short-term workers who left the Cleaning industry most commonly ended up in Hospitality & Food, or Retail & Distribution.
- Over the medium and long term, former Cleaning workers also commonly move into Healthcare.
- Contact Centres & Industry Support Services, Manufacturing, and Education were also other notable destinations for former Cleaning workers.
- These findings suggest that in the shorter-term, workers exiting Cleaning were most likely moving to other "entry" level jobs that did not necessarily have a skills match with Cleaning, while in the longer-term we also likely see workers leave Cleaning to work in jobs related to Cleaning in other industries (like Healthcare).

Comparing business types, Registered Liability Companies have better industry retention rates

Registered Limited Liability Companies have higher worker industry retention rates than other business types, with this difference becoming evident from around 4 months after the start of a workers employment spell (Figure 39).

Figure 39: Percentage of workers still employed within the Cleaning industry, for workers starting employment stints any Cleaning business, by business type and month since entry, tax years ended March 2013 to March 2024

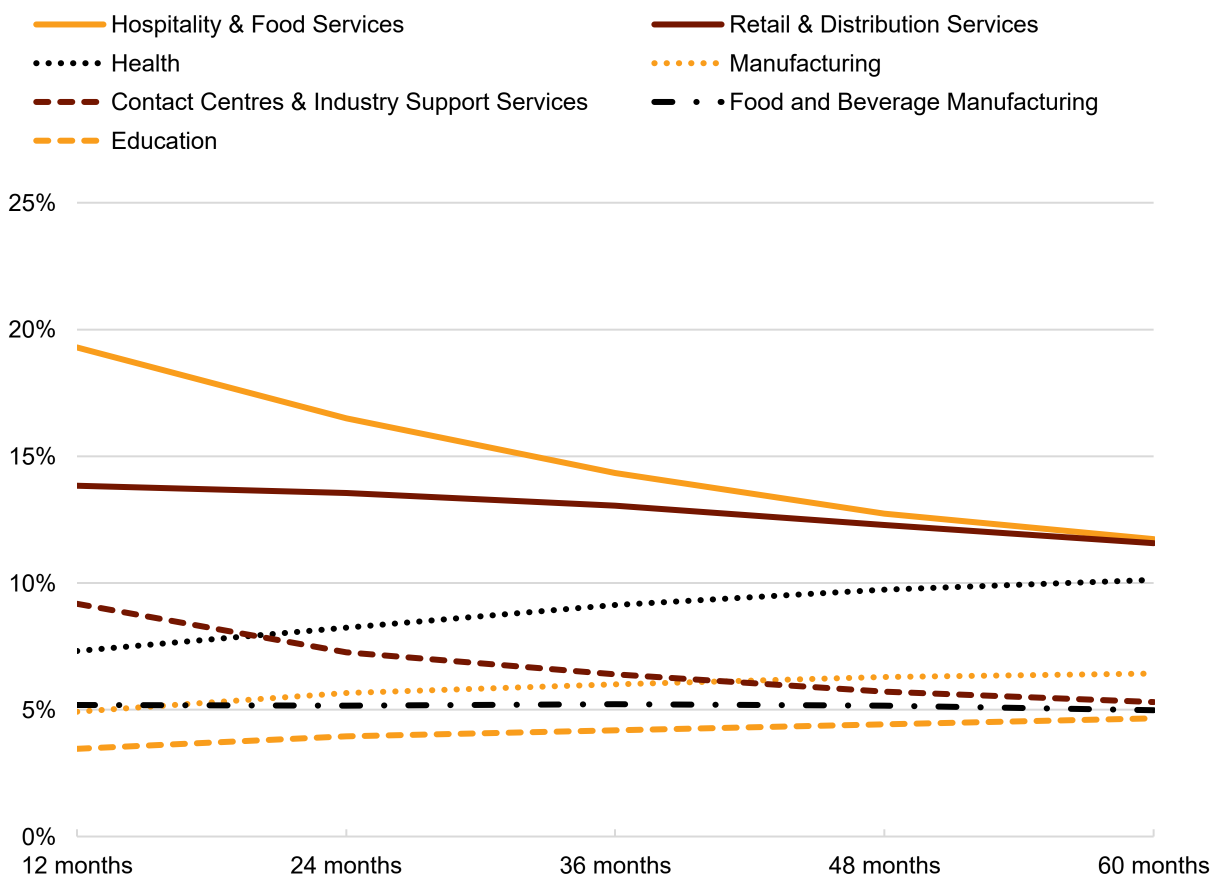


Across all business types, larger businesses had higher worker industry retention rates across the short, medium and long-term. The exception to this was 2+ FTE Partnerships and Other Business Types which were outperformed by 1 FTE Partnerships and Other Business Types in the medium and long-term in this measure.

Workers who left the Cleaning industry most commonly ended up in Hospitality & Food and Retail & Distribution

While Hospitality & Food, and Retail & Distribution were the two most common destinations over time for former Cleaning workers, the percentage of former Cleaning industry workers that ended up in these industries fell over time (Figure 40). In contrast, the proportion that were in Healthcare, Manufacturing, and Education, increased.

Figure 40: Percentage of workers who exited Cleaning into different industries, by months after the start of their employment spell in Cleaning, for tax years ended March 2013 to March 2024



What makes up the incomes of workers in the Cleaning industry?

In this section, we look at the incomes of workers within the cleaning industry across tax years, analysing means, medians and the proportions of total incomes that are from cleaning employment or from other sources (such as income support and tax credit payments, and income from other sources of employment).

This is broken down by the business type and size of the worker at their primary place of Cleaning employment during the tax year, as well as the workers level of attachment to the Cleaning workforce.

Key findings

- Workers real employment income from Cleaning has been increasing, particularly between 2018 and 2022, corresponding with increases in minimum wage rates that were larger than inflation during this period.
- The income from cleaning as a percentage of total income from all sources has decreased slightly over the past 10 years, due to increases in income from other sources (such as income support payments and tax credits).
- The percentage of total income for workers in the cleaning industry that comes from income support payments and tax credits has been increasing since 2018, roughly in line with the number of main benefit recipients over the same period. This could reflect several possibilities (which are not mutually exclusive), such as:
  - more people working part-time while also receiving main benefit payments
  - more people being hired by businesses from the main benefit system
  - more churn resulting in people moving between the main benefit system and the Cleaning industry at a higher rate
  - more people with children that are eligible for Working for Families payments working within the industry.
- Workers at Individual Proprietorships, Partnerships & Other Business Types had lower mean and median earnings as the size of the business increased. This likely reflects greater use of part-time, contract, and casual labour for larger businesses of these business types.

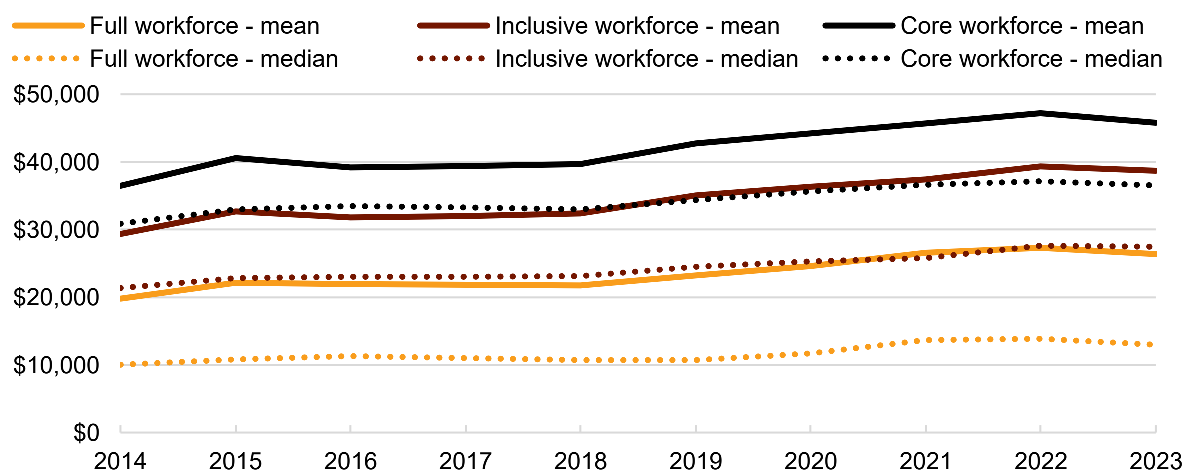
- Workers in Limited Liability Companies generally reported similar mean earnings regardless of company size, but median earnings favoured small (0 and 1 FTE), and large businesses (100+ FTE).
- When considering measures of workforce attachment, these measures generally resulted in higher means being reported for larger businesses, suggesting that while they use short-term labour, their more permanent labour earns comparatively more than workers in smaller firms.

Income from Cleaning has been increasing for all workers in the Cleaning industry over time

Income from cleaning has been increasing for all workers on measures of both means and medians over the past 10 tax years, particularly since the tax years ended March 2018 and March 2019 (Figure 41).

A fall in real incomes was observed for the tax year ended March 2023, likely reflecting wage increases that have been unable to keep up with inflation during this period. Despite these falls, real incomes remain relatively high compared to historical levels.

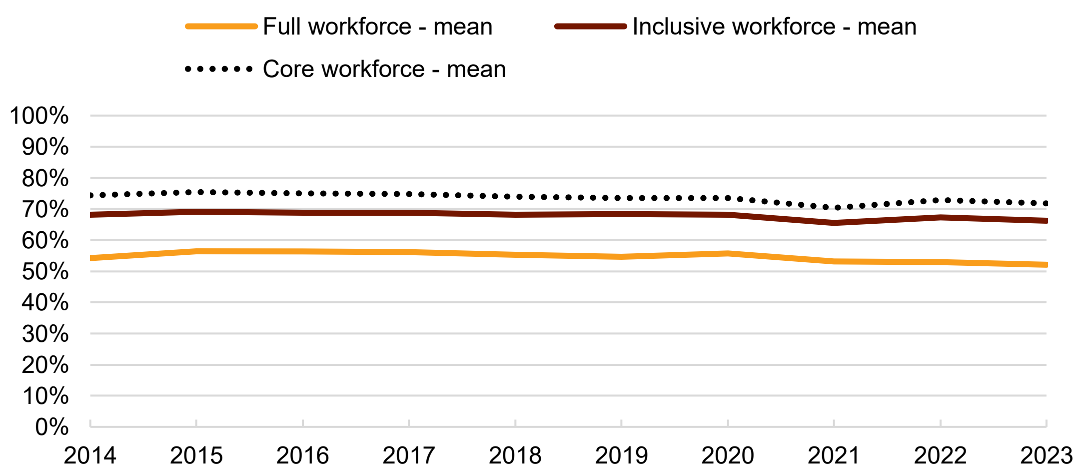
Figure 41: Mean and median incomes from Cleaning, by workforce attachment type, for tax years ended March 2014 to March 2023



Income from Cleaning as a percentage of total income has decreased slightly over the past 10 years

Mean income from Cleaning as a percentage of total income from all sources increased slightly between the tax years ended March 2014 to March 2016, before stagnating and decreasing at different rates from the tax year ended March 2019 onwards (Figure 42).

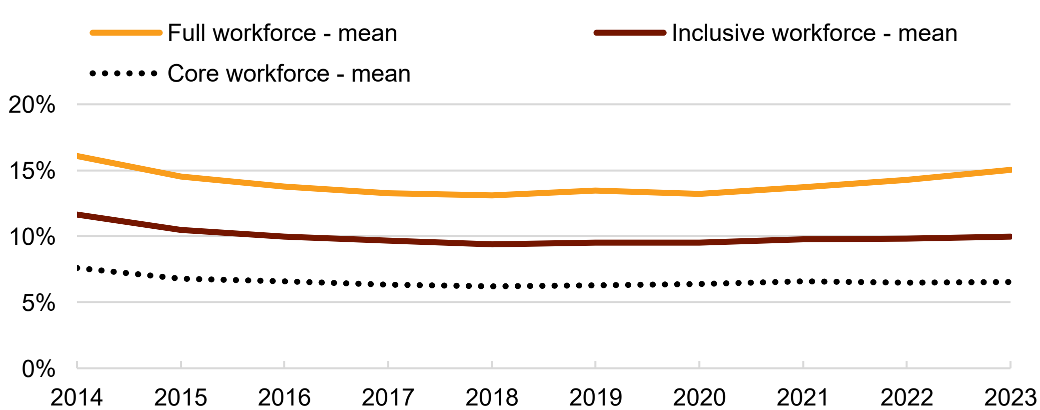
Figure 42: Mean income from Cleaning as a percentage of total income, by workforce attachment, tax years ended March 2014 to March 2023



Income from income support payments and tax credits as a percentage of total income has been increasing since 2018

Between the tax years ended March 2014 and March 2019, the percentage of total income from income support payments and tax credits decreased, before increasing since then (Figure 43). These changes broadly followed benefit receipt trends.

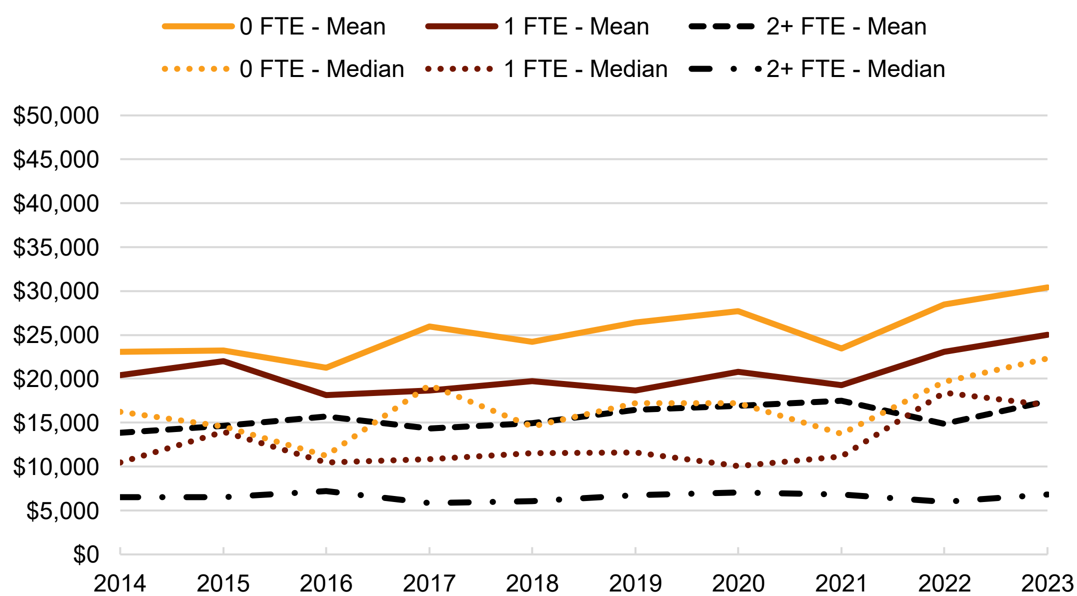
Figure 43: Mean income from income support payments and tax credits as a percentage of total income, by workforce attachment, tax years ended March 2014 to March 2023



Workers at Individual Proprietorships had lower earnings from Cleaning as business size increased

Workers at Individual Proprietorships had different incomes depending on the size of the Individual Proprietorships (and their role within it). The mean and median incomes for workers decreased as the size of the sole proprietorship increased (Figure 44).

Figure 44: Mean and median incomes from Cleaning for workers in Individual Proprietorships, by business size, for tax years ended March 2014 to March 2023



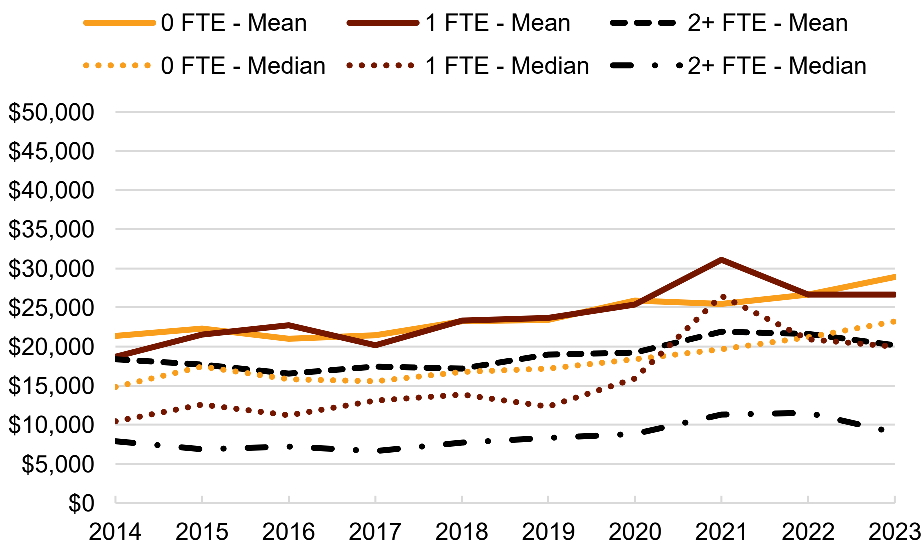
On other measures of income, we also found that:

- the percentage of mean total income that was from Cleaning generally decreased as the size of the sole proprietorship increased
- for workers more attached to Individual Proprietorships, incomes increased with business size
- the percentage of income that was from income support payments or tax credits increased as the size of the Individual Proprietorship increased, but for workers with greater attachment to the workforce (such as workers defined as being part of the core workforce), this was not the case, suggesting higher levels of temporary and part-time labour usage for larger Individual Proprietorships.

Earnings from Cleaning for lower for workers at 2+ FTE Partnerships & Other Business Types compared to smaller Partnerships & Other Business Types

Much like Individual Proprietorships, workers at Partnerships & Other business types typically had lower mean and median earnings from Cleaning as the size of the business increased past 2 FTE (Figure 45).

Figure 45: Mean and median incomes from Cleaning for workers in Partnerships & Other Business Types, by business size, for tax years ended March 2014 to March 2023



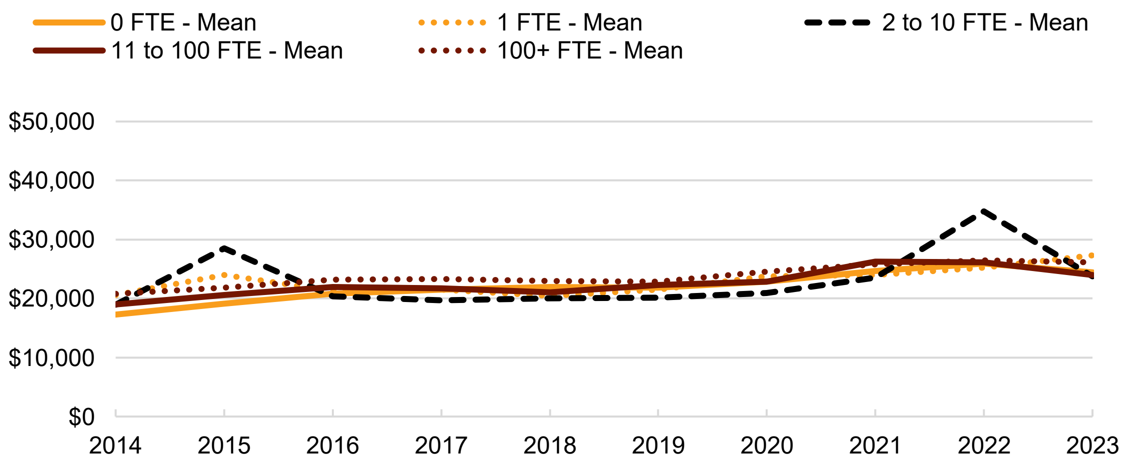
On other measures of income, we also found that:

- the proportion of mean total income that was from cleaning for workers in Partnerships & Other Business Types was relatively similar between business sizes
- for workers more attached to Partnerships & Other Business Types, incomes increased with business size
- the percentage of income that was from income support payments or tax credits increased as the size of the Partnerships & Other Business Types increased, but for workers with greater attachment to the workforce (such as workers defined as being part of the core workforce), this was not the case, suggesting higher levels of temporary and part-time labour usage for larger Partnerships & Other Business Types.

Workers in Registered Limited Liability Companies had marginally higher earnings from Cleaning as business size increased

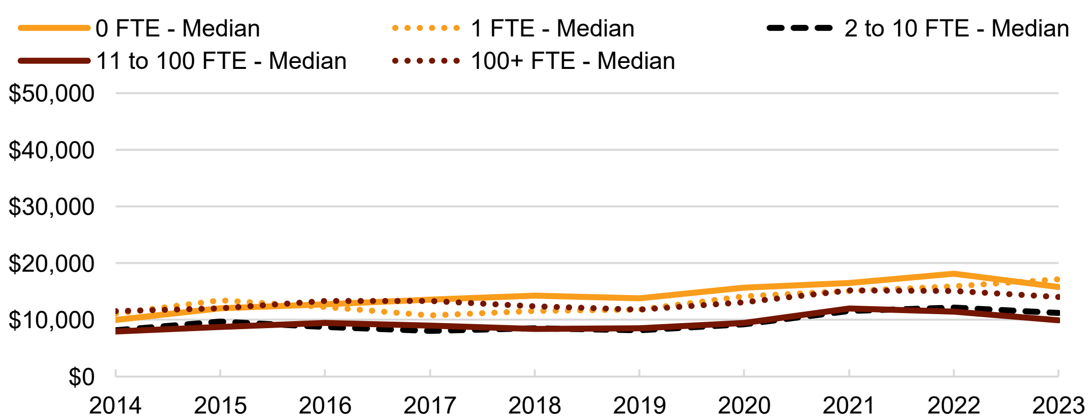
Mean earnings from Cleaning have been increasing over time for workers in Registered Limited Liability Companies, regardless of the size of the business (Figure 46). There was a slight bias towards mean incomes from cleaning generally being higher as business size increased, except for 2 to 10 FTE Registered Limited Liability Companies.

Figure 46: Mean incomes from Cleaning for workers in Registered Limited Liability Companies, by business size, for tax years ended March 2014 to March 2023



Higher median earnings from cleaning were reported by workers in 0, 1 or 100+ FTE Registered Limited Liability Companies (Figure 47).

Figure 47: Median incomes from Cleaning for workers in Registered Limited Liability Companies, by business size, for tax years ended March 2014 to March 2023



On other measures of income, we also found that:

- the percentage of total income from cleaning for workers within Registered Limited Liability Companies was relatively similar regardless of business size
- for workers more attached to Registered Limited Liability Companies, incomes increased with business size.
- the percentage of income that was from income support payments or tax credits increased as the size of the Registered Limited Liability Company increased, but for workers with greater attachment to the workforce (such as workers defined as being part of the core workforce), this was not the case, suggesting higher levels of temporary and part-time labour usage, or hiring directly from the main benefit jobseeker pool for larger Registered Limited Liability Companies.

Appendix 1: Worker demographics in Registered Limited Liability Companies, by business size

In the tax year ended March 2024, when comparing the total full workforce working for Registered Limited Liability Companies, **workers who worked for 0 FTE businesses were more likely to:**

- be aged 35 to 44 (27% compared to 21%) or 45 to 54 (19% compared to 16%)
- be male (50% compared to 45%)
- identify as Asian (58% compared to 32%)
- have a level 4 to 6 qualification (29% compared to 24%), bachelor's degree or equivalent (20% compared to 13%) or a post-graduate qualification (8% compared to 5%)
- be an employer (71% compared to 11%) or self-employed (8% compared to 2%)
- be based in Auckland (50% compared to 39%)
- be a NZ resident (57% compared to 31%)

Workers who worked for 0 FTE businesses were less likely to:

- be aged 24 and under (9% compared to 16%)
- identify as European (32% compared to 38%), Māori (8% compared to 17%), Pacific (7% compared to 13%) or MELAA (3% compared to 7%).
- have no qualifications (7% compared to 10%) or a level 1 to 3 qualification (35% compared to 47%)
- be an employee (21% compared to 87%)
- be based in Otago (3% compared to 6%) or Wellington (8% compared to 11%)
- be a NZ citizen (39% compared to 56%) or have a work visa (4% compared to 11%).

Workers who worked for 1 FTE businesses were more likely to:

- be aged 25 to 34 (31% compared to 26%) or 35 to 44 (27% compared to 21%)
- be male (52% compared to 45%)
- identify as Asian (49% compared to 32%)
- have a level 4 to 6 qualification (28% compared to 24%), bachelor's degree or equivalent (18% compared to 13%) or a post-graduate qualification (9% compared to 5%)

- be an employer (39% compared to 11%) or self-employed (10% compared to 2%)
- be based in Auckland (45% compared to 39%) or Canterbury (8% compared to 6%)
- be a NZ resident (45% compared to 31%)

Workers who worked for 1 FTE businesses were less likely to:

- be aged 24 and under (13% compared to 16%), 45 to 54 (14% compared to 16%), 55 to 64 (11% compared to 14%) or 65 and older (4% compared to 6%)
- identify as European (30% compared to 38%), Māori (8% compared to 17%) or Pacific (5% compared to 13%)
- have no qualifications (5% compared to 10%) or a level 1 to 3 qualification (40% compared to 47%)
- be an employee (51% compared to 87%)
- be a NZ citizen (41% compared to 56%)

Workers who worked for businesses with 2 to 10 FTE were more likely to:

- be aged 25 to 34 (32% compared to 26%)
- be male (49% compared to 45%)
- identify as Asian (39% compared to 32%)
- have a bachelor's degree or equivalent (16% compared to 13%)
- be an employer (17% compared to 11%) or self-employed (4% compared to 2%)
- be based in Auckland (41% compared to 39%) or Canterbury (15% compared to 13%)
- have a work visa (17% compared to 11%)

Workers who worked for businesses with 2 to 10 FTE were less likely to:

- be aged 55 to 64 (10% compared to 14%) or 65 and older (4% compared to 6%)
- identify as Māori (12% compared to 17%) or Pacific (7% compared to 13%)
- have no qualifications (8% compared to 10%) or a level 1 to 3 qualification (43% compared to 47%)
- be an employee (78% compared to 87%)
- be based in Manawatu-Whanganui (2% compared to 4%) or Wellington (8% compared to 11%)
- be a NZ citizen (49% compared to 56%).

Workers who worked for businesses with 11 to 100 FTE were more likely to:

- be aged 24 and under (19% compared to 16%) or 25 to 34 (28% compared to 26%)
- identify as European (43% compared to 38%) or Māori (19% compared to 17%)
- an employee (96% compared to 87%)
- a NZ citizen (62% compared to 56%).

Workers who worked for businesses with 11 to 100 FTE were less likely to:

- be aged 55 to 64 (12% compared to 14%)
- identify as Pacific (11% compared to 13%) or Asian (24% compared to 32%)
- an employer (3% compared to 11%)
- based in Auckland (34% compared to 39%)
- a NZ resident (23% compared to 31%).

Workers who worked for businesses with over 100 FTE were more likely to:

- be aged 55 to 64 (16% compared to 14%)
- be female (59% compared to 55%)
- identify as Māori (20% compared to 17%) or Pacific (18% compared to 13%)
- have a level 1 to 3 qualification (51% compared to 47%)
- an employee (99.9% compared to 87%)
- based in Wellington (13% compared to 11%)
- be a NZ citizen (60% compared to 56%).

Workers who worked for businesses with over 100 FTE were less likely to:

- be aged 25 to 34 (23% compared to 26%)
- identify as Asian (27% compared to 32%)
- hold a bachelor’s degree or equivalent (10% compared to 13%)
- be an employer or self-employed (0.1% compared to 13% combined)
- be a NZ resident (29% compared to 31%) or hold a work visa (8% compared to 11%).

Appendix 2: Strengths and limitations of this study

IDI data is a resource for building evidence about what works in a New Zealand context (Milne, et al., 2019), as well as measuring things that requires a combination of various data sources that are otherwise not kept together. However, there is a need for transparency about the existence, use, and limitations of this data (Gulliver, Jonas, McIntosh, Fanslow, & Waayer, 2018). This study shows how IDI data can be used an important economic question: how has the cleaning industry changed over the past 10 years.

Strengths

A key strength of this study is the use of administrative data held in the IDI and LBD to create a more complete picture of businesses involved in the cleaning sector and their performance than what could be gathered from individual sources of data alone. This can allow for cross checking between sources of data, particularly with respects to business and employment outcomes. Findings from our analysis broadly align with existing studies undertaken in this space, as well as qualitative findings as part of this broader study.

Another strength of this study is in the use of longitudinal data, which allows us to track how businesses evolve over time, and whether outcomes in the cleaning sector are changing in response to the evolution of the business structure of the sector. This gives us a greater degree of confidence that any changes we observe can be attributed to changes within the sector, when compared to utilising other sources of data (such as individual datasets or surveys, or qualitative data).

Weaknesses

An important weakness of this study is that the data contained within the IDI and LBD does not allow us to accurately determine whether a business as a franchisee or franchisor. While the data available allows us to identify parent businesses, this is not the same thing as a franchisee/franchisor relationship. Through Ringa Hora’s qualitative work as part of the wider project this quantitative study is attached to, the franchisee/franchisor business structure is an important part of the overall landscape and that these businesses likely function in different ways to regular businesses (and therefore can experience difference outcomes).

This is likely true for other industries as well. We encourage Stats NZ as well as Inland Revenue to start collecting this information for use in the future, as it will be useful in ensuring that policy settings for businesses remain relevant and up to date in the future.

Another limitation of this study is that IDI and LBD data linking is generally probabilistic, with some errors and missed links being inevitable in the process used by Stats NZ (Milne, et al., 2019; Stats NZ, 2023). This means that the data collected through administrative sources may not be available for some of the businesses and workers in the scope of this study, as they are unable to be linked together. To attempt to minimise this impact, businesses and workers are excluded from specific parts of study if they have no recorded income from any source in the relevant tax year, or if they are unable to be linked to the IDI/LBD spine. This has the impact of reducing the available sample size for this study.

Administrative data may not always provide a good proxy for the income and employment outcomes of workers included in this study. This study utilises the total income code module, which is unable to measure informal employment. Employment in the informal economy could be a useful supplementary source of income for workers within the cleaning sector. However, there is no way of knowing the extent of this with IDI and LBD data.

Finally, this study was an observational study, utilising summary statistics to outline observed trends during the period of analysis, with supplementary regression analysis to verify whether observed differences in performance outcomes held when controls were applied. This approach allows us to infer findings based on the information we have collected, but it does not allow us to identify causation, as this study does not utilise techniques that could do so (due to a lack of appropriate data, and as this study does not focus on a specific change, event, or characteristic that could be utilised to undertake such an analysis). This means that these findings need to be interpreted in appropriate context. Future studies could build upon this study, by testing specific findings that we infer from our analysis with more robust and advanced techniques.

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