

SERVICE QUALITY IN PUBLIC PROCUREMENT FOR CLEANING SERVICES

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Summary of research plan

Does posting a difficult to observe quality requirement in an invitation to tender affect the price and service quality? Outsourcing public services such as cleaning, security and social care has become more and more popular in recent years, yet there are relatively few studies looking into service quality. I run a randomized controlled trial in co-operation with the City of Helsinki to provide insight to this topic. The research setting was created after Helsinki decided to outsource cleaning services previously run by city-owned company Palmia. The outsourcing was planned to be completed over 4 years starting in 2017 with a fraction of contracts procured each year.

Prior to the experiment City of Helsinki had not used explicit quality requirements (so called “levels of cleanliness”) when procuring cleaning services. The experiment was conducted as follows. City-owned locations requiring cleaning services were randomly assigned into two groups. The control group had its invitation to tender written as was the norm. The treatment group had otherwise identical invitation to tender, but there was an added sentence specifying the expected level of cleanliness. I also sent a questionnaire to the staff of the procured locations to assess the service quality prior to outsourcing.

The experiment was cut short after just the first round due to significant problems in service quality in locations without the added service quality requirement. The city decided to terminate some of the contracts already in Spring 2018. This limits my data to only 20 procured contracts in this particular experiment. There are up to 8 firms bidding for each contract and three different firms were declared winners across all contracts. I have detailed information on procured locations (schools, sports halls etc.), bids, as well as the bidders. I will also receive information from City of Helsinki on observed quality in the procured locations.

My plan is to analyze the bidding behavior between the two firms and research whether the discrepancy in service quality could've been caused by the differences in the invitations to tender. However, the very small sample will likely not allow any statistically significant analysis. I am also continuing the procurement experiment with the city with a slightly modified research question to find out whether service supplier provide better service when they are allowed to choose the amount of cleaning themselves or when the amount is set by the procurer.