



# 2021 ANNUAL BSC LABOR TRENDS REPORT

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Presented in Partnership with BSCAI

## Overview



Last year was certainly the most challenging labor market in modern times. April saw record low applicant volume followed by the popularity of social theories like the “Great Resignation.” Many workers used the continued social payments and a competitive hiring market to take long breaks from work, completely change career paths, or simply switch jobs for increased pay. The applicant market increased substantially by the second half of the year with record hiring along with record job openings. By late in the year, wages had increased along with national inflation, further disturbing the labor market.



Building service contractors have been no exception to the national labor trends. 2021 was a roller coaster of applicants, hires and employee counts. April saw record low new applicants and decreasing employee counts. By late summer, applicant volume was increasing, hiring hit record highs, followed by payroll counts. BSCs have managed to increase hires while labor participation rates remain low.

Industry quit rates remain high, about 2.5 times the national average, but have not increased over the past two years while national quit rates remained at record highs. Likewise, BSC layoff rates are slightly higher than the national average and have remained so over the past year. We’ve seen a slight decline in both for the year.

Although 2021 saw a slight increase in employee retention rates, the industry continues to average 2.5 times the national hire rate. BSCs continued to focus hiring on younger generations who tend to turnover more than their older peers. In a big contrast to 2020, Gen Z hiring rates were equal to Gen X while Millennials continue to be the bulk of new hires.



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## U.S. Unemployment, Participation Rates and Active Employees

The U.S. unemployment rates have continued to drop since the record 14.8% in April 2020. And while 2021 began with the year still at historic levels above 5, it trended down to under 4% by the end of the year.

As unemployment rates have steadily decreased in 2021, BSC employment numbers (represented as the % change in active employees, month over month) remained remarkably flat during the first half of the year, including a loss in total employees during April and May. This loss correlated with a higher quit rate in March coupled with declining applicants.

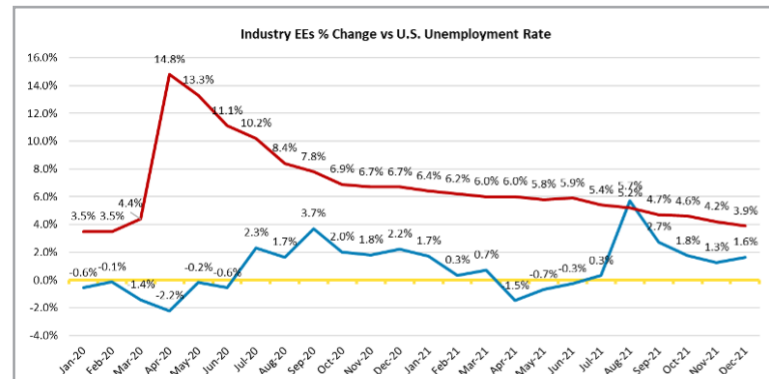


Exhibit 1: U.S. Unemployment Rate vs Change in # Active Industry Employees

The second half of 2021 showed a hiring boom with abnormally high increases in active employees in August. Seasonally speaking, we normally see higher quits and hires in August due to the start of school, but a 5% increase is the highest seen since TEAM began tracking employee levels. The rest of the year we have continued to see increases in employee counts. Our clients are growing at a steady pace.

Monthly U.S. labor participation rates have rebounded since 2020 lows, however rates are still around 62%, 1.5% less than pre-pandemic levels. A small percentage of the U.S. workforce left during the pandemic and has not returned.

BSC employee loss during the first half of 2021 may have been due to a lack of available workforce. With employee numbers growing and trending upward,

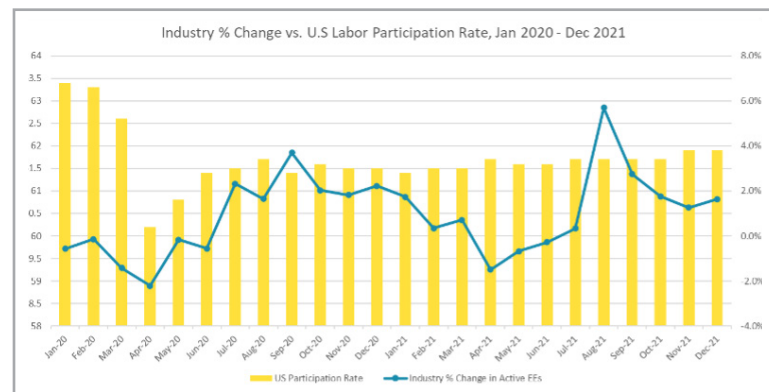


Exhibit 2: U.S. Participation Rate Change vs Active Industry Employees Change

## U.S. Quit Rates vs. Industry Quit Rates

BSCs traditionally face a higher quit rate than the broader labor market. Through Q2 2021, quit rates for the U.S. market slightly increased, while quit rates for BSCs have been on a roller coaster, bottoming out at 5.9% in February and peaking at 8% in March. Quit rates remained high throughout 2021, but showed a drop to 6.6% in December.

Looking at the 24-month trend, we see the BSC quit rate remaining somewhat consistent around 7.7%. Although our quit rates are consistently over double the national average, we have not seen the marginal increases seen nationally.

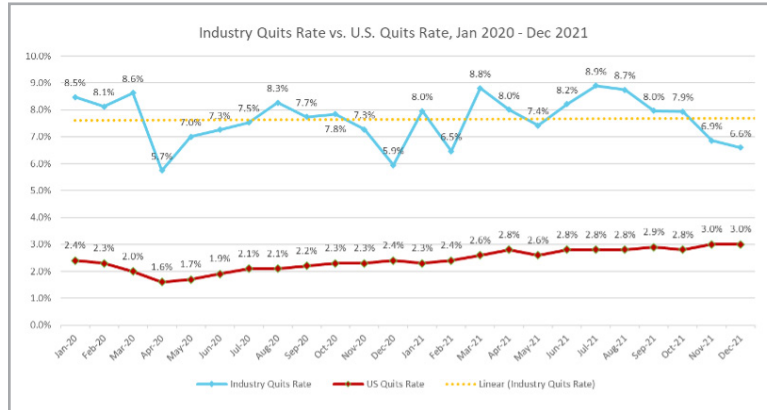


Exhibit 3: U.S. Quit Rates vs Industry Quit Rates

## U.S. Layoff Rates vs. Industry Layoff Rates

U.S. aggregate layoff rates been on a slight decline, starting at 1.2% and ending at 0.8% through December. The BSC industry has seen an increase in layoff rates, peaking in June at 2.6% and eventually tapering to 2% at the end of December. Traditionally the BSC industry has a higher layoff rate than the U.S. labor market as a whole. The distribution has normalized and we're now seeing the same gap in layoffs we've seen in previous years.

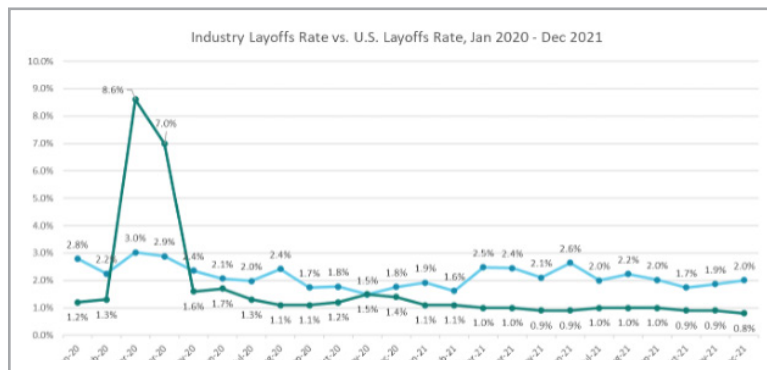


Exhibit 4: U.S. Layoff Rates vs Industry Layoff Rates

### Quit Rate:

Voluntary leavers, excluding retirement and transfers, as a percent of total employment

### Layoff Rate:

Involuntary separations initiated by the employee, as a percent total employment

### Other Separations Rate:

Includes retirement, transfers, deaths, etc., as a percent of total employment

## U.S. Hire Rates vs. Industry Hire Rates

The U.S. hire rates remained consistent through the first half of the year, slightly increasing throughout the remainder of 2021 and settling at 4.3% in December. This is a higher rate than 2019 and years prior.

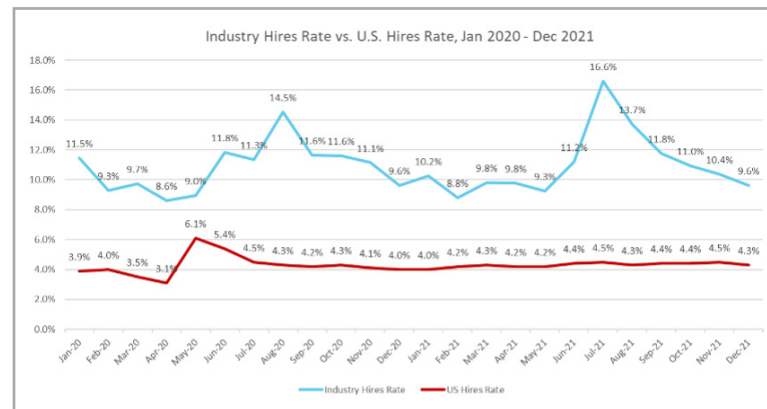
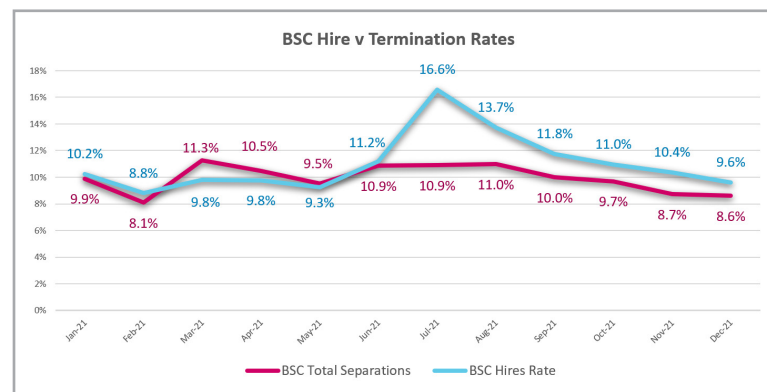


Exhibit 5: U.S. Hire Rates vs Industry Hires Rates

BSCs have a consistently higher quit rate leading to the need to hire more. As discussed above, employee counts were consistently up in August. BSCs hired at a record rate in July leading to the increase in payroll. BSCs have hired around 10% (annualized) of their employee based the first half of 2021 and settled to about the same rate in December. March and April were surprisingly consistent given the historically low number of candidates and job search activity.



### Hire Rate:

all additions to payroll  
as percent of total  
employment, as a percent  
of total employment

### Layoff Rate:

Involuntary separations  
initiated by the employee,  
as a percent total  
employment

### Generations Defined:

Silent: born 1928-45  
Boomers: born 1946-64  
Gen X: born 1965-80  
Millennials: born 1981-96  
Gen Z: born 1997-2012

## Generational Analysis

Millennial and Gen X employees make up nearly 65% of both the U.S. and the BSC workforce, though the BSC industry has more active Gen X employees compared to the U.S. workforce. Gen Z only made up 5% of the U.S. workforce in 2020, but has over doubled to 12% in 2021. They have nearly an equal share of the BSC workforce. At the other end of the spectrum, Boomers make up 22% of the U.S. workforce which is nearly in line with the BSC labor pool.

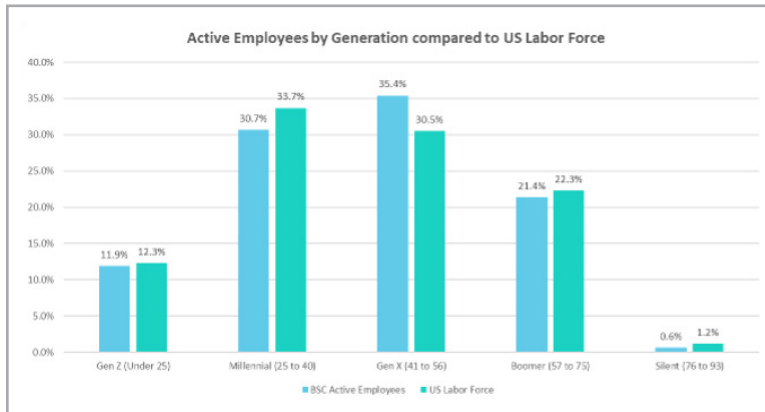


Exhibit 6: Generational Makeup US vs Industry workforce Industry Hire Rate

## Generational Hire Rate vs. Annual Retention

Looking at retention rates over the past five years, older workers stay longer than younger workers. Boomers and the Silent Generation are retained around 35% for at least 12 months. These two generations only make up 10% of hires. Over the past 12 months Boomer and Silent generations retention rates have dropped, signaling their loss in the workforce.

Millennial hires have decreased from 42% of hires in 2020, to 38% in 2021. Likewise, we've seen a decrease in Boomer and Gen X, while we've had a huge increase in hires from Gen Z who represented nearly 25% of hires last year. Given the lower retention rate for Gen Z, we expect the overall employee churn to remain high.

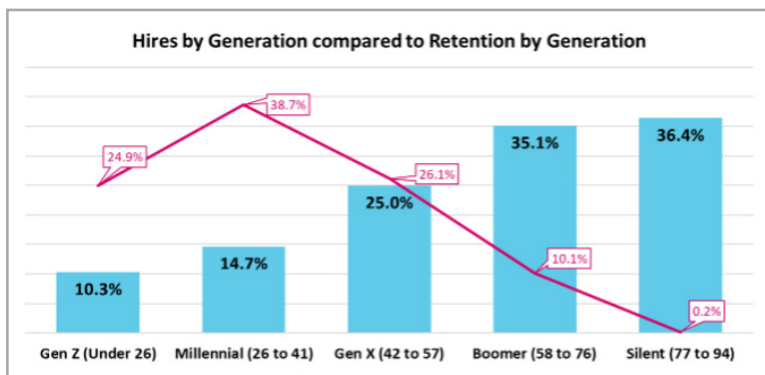


Exhibit 7: Industry Hire Rate by Generation vs 5+ year Industry Annual Retention

### Annual Retention Rate:

Employees still employed after 360 days from hire date, looking back include last five full years and current year if partial employment

## Applicant Volume

Applicant trends for BSCs followed the national trend through the first part of 2021 with lower job search activity leading to few applicants. Spring saw record low applicants, but volume increased dramatically over the following months to nearly pre-pandemic levels by October. By December, applicant volume had dropped to 2020 levels. However, it's important to note that December normally sees a seasonal dip in applicants.

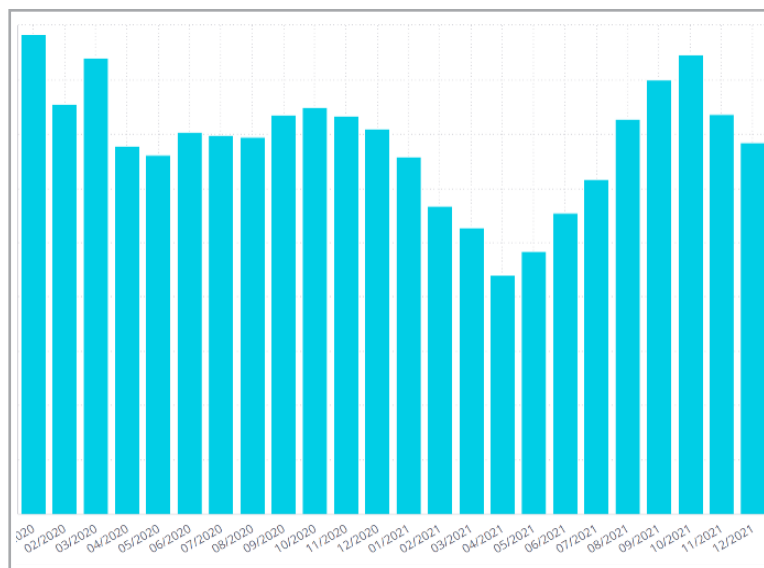


Exhibit 8: Unique BSC applications by month

## Conclusions

The BSC industry faced major labor challenges in the first half of 2021 with an increased demand for services coupled with a waning candidate pool. The second half of the year saw a rebound in applicant volume, hires and employee counts but a continued competitive hiring market leading to higher wages. U.S. unemployment rates have slightly decreased while participation rates have held steady, however they are still significantly less than pre-pandemic levels. BSCs have managed to keep employee levels steady during the first half of 2021 with a substantial increase in late summer. Layoffs in the U.S. had steadily and slightly decreased throughout the year, while BSCs let go of a higher percentage than the national average. Overall, industry staffing fared well as hire rates were able to stay ahead of termination rates on average for 2021.

In an incredibly challenging hiring market, employee retention continues to be critical. We believe there are several areas to investigate that could lead to improvements in hiring and retention. Though industry quit rates in 2021 remained in line with 5-year averages, US quit rates increased throughout 2021 after five years of steady results. With a labor shortage in all markets and industries, employees now have opportunities to try different careers or move up in pay scale. BSCs need to find solutions to make their jobs more attractive than other industries, like quick service restaurants or warehouse work.

Cleaners have multiple reasons they leave jobs, with the obvious factors of pay and direct supervision. Two other factors often cited are cashflow and transportation. [On-demand pay solutions](#) are helping employers bridge cash flow emergencies and becoming commonplace in most hourly workforces. Smarter hiring practices like local targeted job ads are proving helpful in finding candidates who live close to their place of employment.

Understanding generational employee retention is also a key to stopping the revolving door. Millennials make up nearly one-third of employee bases, yet only 14% are retained annually. Gen Z make up nearly a quarter of new hires, the same as Gen X, yet their retention numbers are poor. In general, older employees tend to stay longer. If your goal is to reduce turnover, we recommend advertising in channels where these generations frequent. ■

#### **Data Assumptions**

For the purposes of this report, we're not distinguishing between front-line workers, full or part-time, from the broader employee base.



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#### **About TEAM Software**

TEAM Software by WorkWave develops market-leading financial, operations and workforce management solutions for contractors with distributed workforces, with a focus on the cleaning and security industries in the North American, Asia-Pacific and EMEA regions. TEAM provides cleaning and security contractors in North America with the only award-winning fully integrated ERP that reduces risk and costs and drives efficiency, profitability and growth. More than 750 companies and nearly 1 million end users rely on TEAM's solutions globally, with well over 450 companies and half a million end users in North America alone. Founded in 1989, TEAM is headquartered in Omaha, Nebraska. TEAM was acquired by [WorkWave](#) in September 2021. For more information, visit [teamsoftware.com](https://teamsoftware.com).



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