

2020 BUILDING SERVICE CONTRACTOR LABOR TRENDS

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Presented in Partnership with BSCAI



Overview

2020 was truly an exceptional year for the building service contractor labor market. Providing essential services by “essential workers,” the cleaning industry quickly became a focal point in the war against a pandemic. January started with record low national unemployment followed by nearly record-high unemployment in April. Despite a dramatic unemployment increase, the cleaning industry retained employees throughout the year with fewer layoffs and quits compared to both the U.S. average and previous years.

BSC hiring rates remained constant through the early days of the pandemic, but increased significantly in May. Hiring peaked in August and has remained strong since. As the U.S. economy opens, the demand for cleaning services continues to grow in parallel. Employee retention in the cleaning industry continues to be a challenge, particularly with younger generations. For example, Millennials make up nearly one-third of the cleaning industry employee base and are nearly 40% of new hires, yet only a small percentage stay a full year.



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U.S. Unemployment, Participation Rates and Active Employees

The U.S. unemployment rate dramatically increased during the pandemic, from a near-record low hovering around 3% in January, increasing to a peak 14.8% in April 2020. From there, national unemployment gradually improved throughout the summer and into Q4. By the end of 2020, unemployment rates were less than half of their peak in April, but still nearly double the January pre-pandemic number.

BSC employment numbers remained remarkably flat during this same time period, only losing 1% of the workforce during April 2020 and growing employee counts in Q3 and Q4 2020. BSCs appear to be one of the few industries that retained employees during the early days of the pandemic.

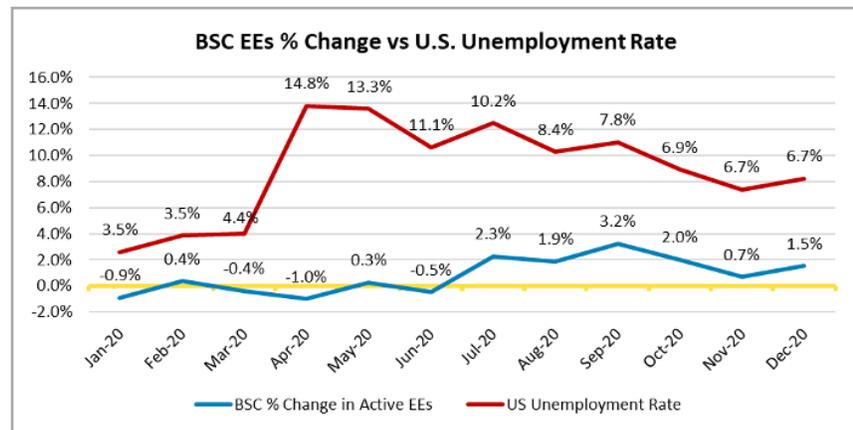


Exhibit 1: U.S. Unemployment Rate vs Change in # Active Industry Employees

At the beginning of the pandemic, the U.S. workforce participation rate also fell, leaving fewer viable new hires available to fill vacant positions. In April, the U.S. participation rate dropped 4%, while BSCs lost less than 1% of their existing employee counts.

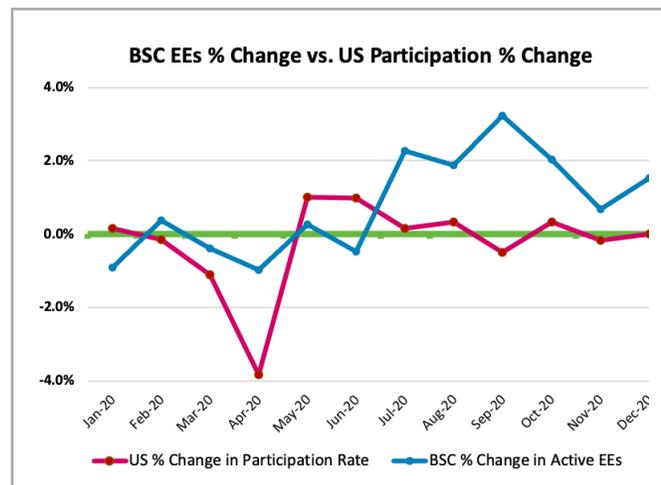


Exhibit 2: U.S. Participation Rate Change vs Active Industry Employees Change

U.S. Quit Rates vs. Industry Quit Rates

BSCs traditionally face a higher quit rate than the broader labor market. During 2020, quit rates for the U.S. market remained relatively constant, while quit rates for BSCs trended downward, bottoming out at 4.6% in December. During April 2020 while unemployment hit record highs and participation rates dropped, the quit rates for BSC employees dropped to 5.6%.

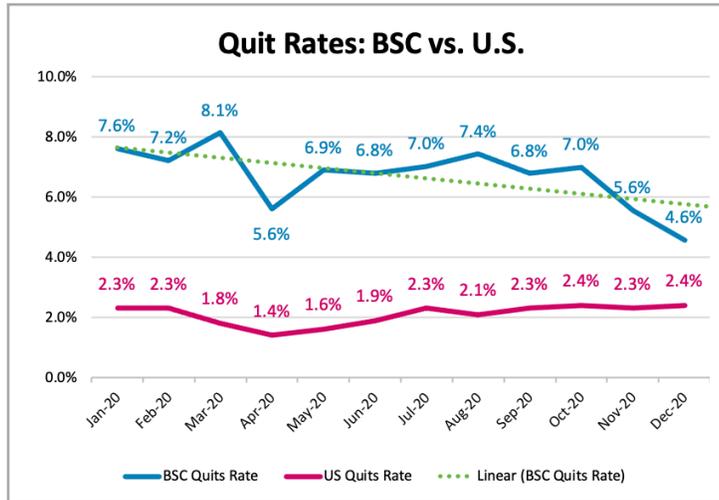


Exhibit 3: U.S. Quit Rates vs Industry Quit Rates

U.S. Layoff Rates vs. Industry Layoff Rates

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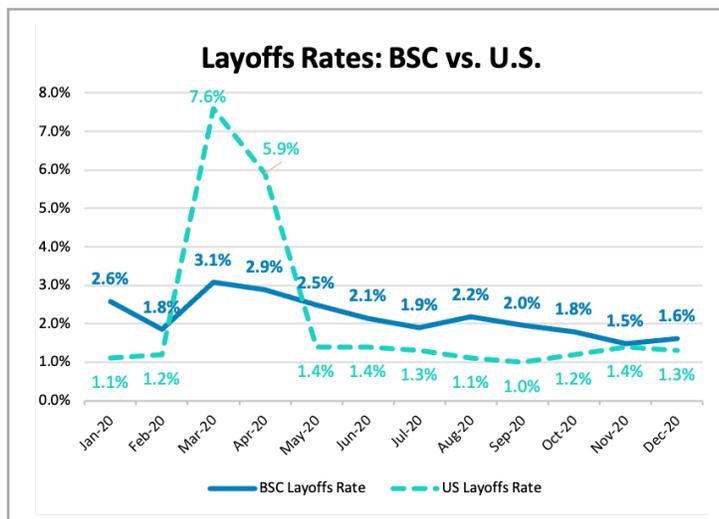


Exhibit 4: U.S. Layoff Rates vs Industry Layoff Rates

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 Quit Rates

The U.S. hire rates trended down through April, at the same time layoffs and quits were high, but hire rates rebounded in May as employers began to hire their workforces back. The BSC industry, due to above-average turnover, hires at a greater rate than the general workforce. Normal monthly BSC hire rates are 8 to 10% and remained so during most of 2020. The August hire rate was highest at 13%, lining up with seasonal trends of high quit rates during that time. We speculate this may have something to do with the start of school.

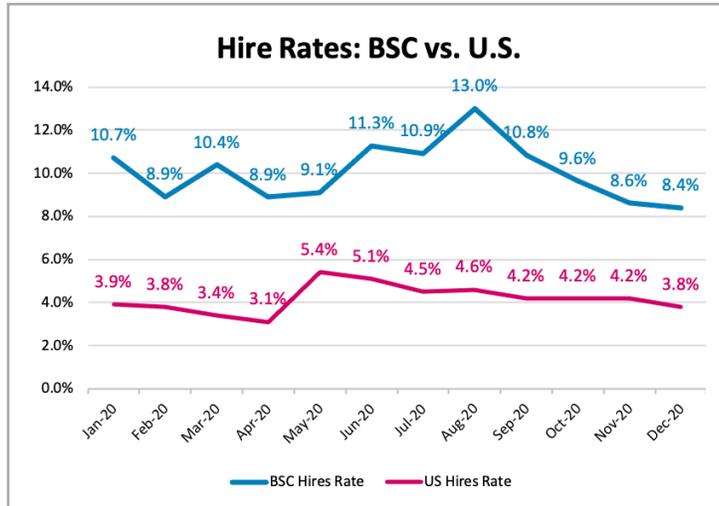


Exhibit 5: U.S. Hire Rates vs Industry Hires Rates

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 67% 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 makes up 5% of the current U.S. workforce, yet it makes up 10% of BSC employees. At the other end of the spectrum, Boomers make up 25% of the U.S. workforce but only 22% of the BSC workforce.

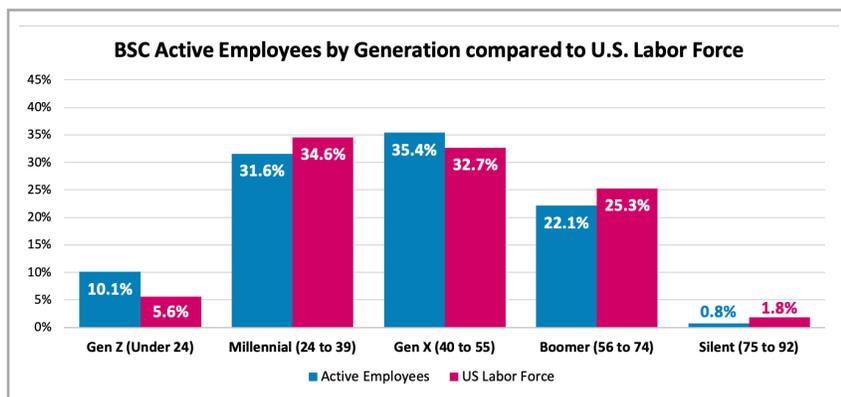


Exhibit 6: Generational Makeup US vs Industry workforce Industry Hire Rate

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 35% and 38%, respectively, for at least 12 months. These two generations make up only 11% of hires over the past five years, however.

Millennials and Gen Z have the worst annual retention rates, below 15%, but make up nearly 62% of new hires.

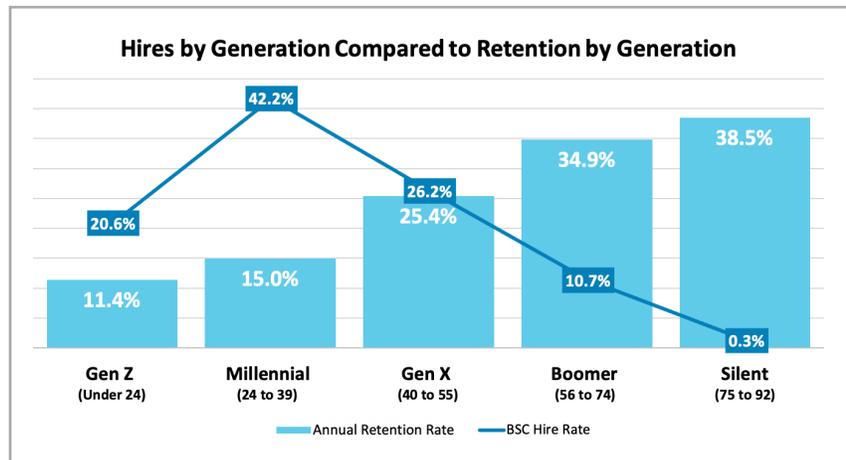


Exhibit 7: Industry Hire Rate by Generation vs 5+ year Industry Annual Retention

Conclusions

The BSC industry showed remarkable resiliency throughout 2020. While the national unemployment rate soared to 14.8%, the BSC industry only showed a slight 1% dip in existing employee counts. Layoff rates were less than half the national average while quit rates declined month over month. In an industry plagued by high turnover and low retention, these numbers demonstrate a commitment to employees and the essential nature of cleaning services. While major employers across the U.S. laid off employees in March and April at a high rate, BSC employers retained most of their employees even though, based on conversations with multiple BSC owners, business decreased during these months.

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. Decreasing quit rates could hint that employee morale is increasing. August tends to have higher quit rates along with more new hires. Uncovering the reasons behind August employee churn is an area of opportunity. For example, if August quits are due to school starting, could schedules be more flexible to accommodate?

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

Understanding generational employee retention is the key to stopping the revolving door as well. Millennials make up nearly one-third of employee bases, yet only 15% are retained annually. This could be a combination of many factors including scheduling, flexibility, communication or even antiquated management practices. Are technology solutions available to engage a younger workforce?

Overall, the BSC industry survived, and in some instances, grew in 2020. We expect this trend to continue into 2021 while facing a tighter and more demanding labor market. ■

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. All information is based on aggregated and anonymous data from TEAM customers in the BSC/cleaning industry that have opted in, along with publicly available U.S. labor data.



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About BSCAI

For more than 50 years, the Building Service Contractors Association International (BSCAI) has been the Business Resource for Contractors™. BSCAI represents a worldwide network of more than 1,000 member companies from across the United States and throughout the world that provide cleaning, facility maintenance, security, landscaping and other related services to building owners and managers. The association provides contractor-specific educational programs, individual certifications, publications, a members-only purchasing program, seminars, industry data and research and networking opportunities, all developed specifically for leaders in the building service industry. For more information, please visit bscai.org.



About TEAM Software

TEAM Software 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. For more information, visit teamssoftware.com