



# HOME SERVICE ECONOMIC REPORT

**Record Growth Fuels Labor Shortage | November 2021**



**Painters Enterprise**

Edmonton, AB

# TABLE OF CONTENTS

## **03      Introduction**

## **05      Housing Market Dynamics**

## **07      Trend Highlight: Rise in Costs**

## **10      Home Service Category Performance**

*Employment • 10*

*Consumer Demand & Revenue Growth • 13*

*Cleaning Segment • 15*

*Green Segment • 17*

*Contracting Segment • 18*

## **20      Home Service Compared to Other Categories**

*Employment • 20*

*Consumer Demand • 22*

*Revenue Growth • 26*

## **28      Future Outlook**

## **29      Methodology & Data Sources**

# Introduction

*Small businesses make up 47% of the private labor force and contribute 44% to GDP in the United States[1]. As the leading business management platform for Home Service businesses, Jobber is uniquely positioned to identify aggregate trends and insights in this important small business segment. More than 100,000 residential cleaners, landscapers, HVAC technicians, and more, keep track of jobs and charge their customers for work using Jobber.*

Restrictions may have lifted throughout the U.S. but businesses are facing new challenges as a result of the COVID-19 aftermath. Pressures on global and domestic supply chains, combined with increased consumer demand and labor shortages, have resulted in new obstacles that even the most established and profitable businesses are forced to overcome.

This report analyzes a variety of trends that are impacting the Home Service category such as housing market dynamics, consumer demand, unemployment, and the rising costs of materials and labor. It also sheds light on key segments within Home Service such as Cleaning, Green, and Contracting businesses. In addition, the report compares the above dynamics to other categories such as Grocery Stores, Clothing Stores, and Restaurants.



# Takeaways

- Residential home sales remain at very high levels, with consistent growth in homes under construction as well as new permits issued.
- Leading Indicator of Remodeling Activity (LIRA) shows strong growth, and is projected to accelerate in the last quarter of 2021.
- There was a considerable spike in the cost of steel mill products beginning in 2021 due to high consumer demand; prices have increased 122% over January 2020.
- In Q3, the cost of lumber and wood returned to levels experienced earlier in the year—which is still an increase of 24% compared to January 2020.
- Invoice sizes saw an increase across the Home Service category in all the main segments: Cleaning, Contracting, and Green.
- Service providers who increased their headcount were able to schedule more work from the rise in consumer demand and increase revenue at a much faster rate.
- Although growth in new work scheduled is currently slower due to resource limitations, revenue growth in Home Service remains healthy due to the rise in invoice sizes.
- The Cleaning segment's new work scheduled growth is driven by contract jobs, which saw a 21% increase year-over-year in Q3 2021.
- Green segment growth in new work scheduled during Q3 2021 continues to stay positive at just under 10% growth year-over-year.
- The Contracting segment showed positive growth in new work scheduled year-over-year in Q3 2021 but was impacted the most by labor shortages.
- The ratio of hires to job openings has decreased significantly, suggesting the current demand for talent is not being sufficiently met.
- Inflation is resulting in increased prices across most categories; Home Service saw a substantial consumer price increase in the last 12 months.
- Revenue growth in Home Service outperformed all other categories in Q3 2021, including Grocery Stores and General Merchandise Stores.

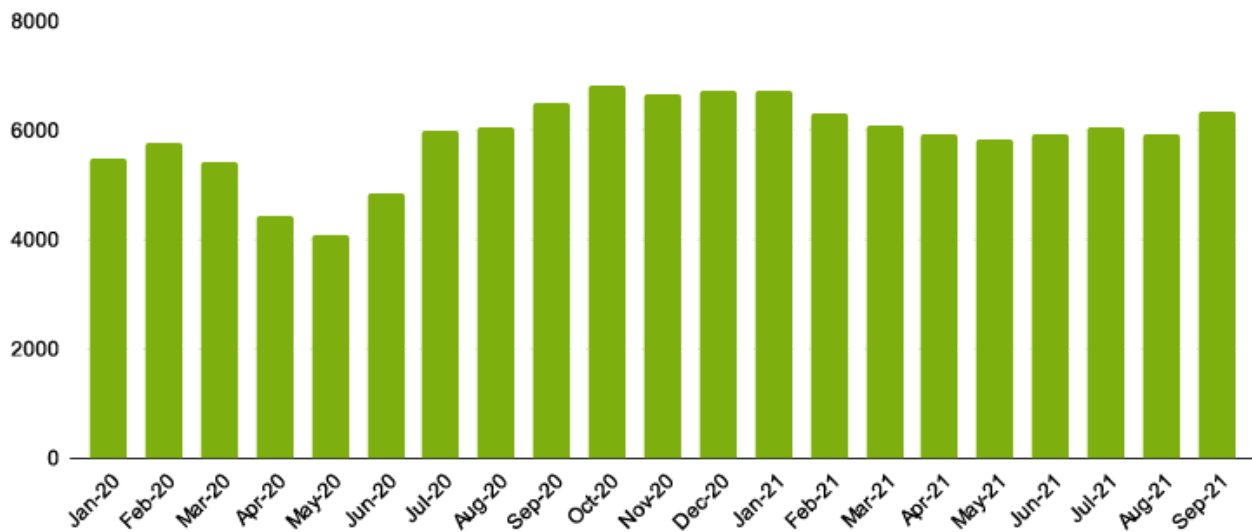
# Housing Market Dynamics

The health of the Home Service category is naturally connected with the residential housing market as the rise in housing sales translates into increased demand for home services. The sale of new and existing homes recovered very quickly from the decline we witnessed during the start of the COVID-19 pandemic. Sales reached record highs in the second half of 2020 and into Q1 of 2021, but dropped slightly by Q2 as a result of rising prices and short supply. In Q3, home sales remained steady, outperforming pre-pandemic levels.[2]

## TAKEAWAY

***The sale of new and existing homes reached record levels in mid 2020 and into Q1 2021, with a slight slowdown since then.***

Residential Units Sold, New and Previously Owned ('000s)



In addition to the growth in new and previously owned units sold, the data shows steady and healthy growth in units built and under construction. Related to this metric is the growth of new permits issued throughout the second half of 2020 and continues through to the end of Q3 2021.

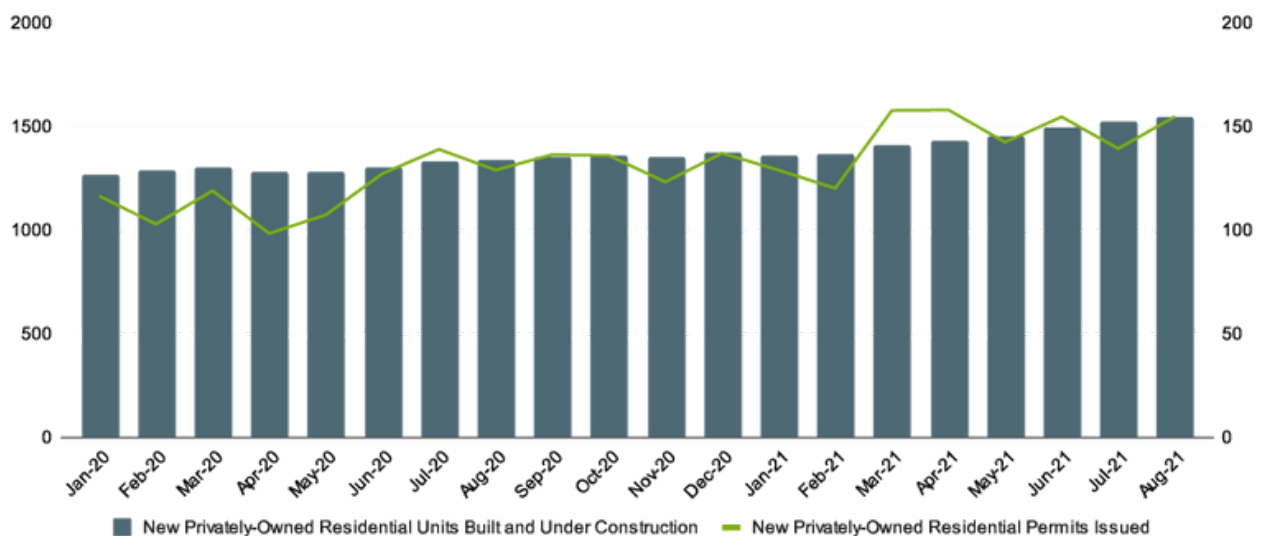


This growth points to the rising demand for home services to meet the demand in residential units. Since March 2021, the growth in residential building permits issued has outpaced pre-pandemic levels, signalling tremendous opportunity in Home Service. The trend continues into the past quarter, with no indication of slowing down.[2]

#### TAKEAWAY

***There is steady growth in the number of residential homes built and under construction, as well as new building permits issued, from June 2020 onwards.***

**New Privately-Owned Residential Units Built and Under Construction ('000s)**

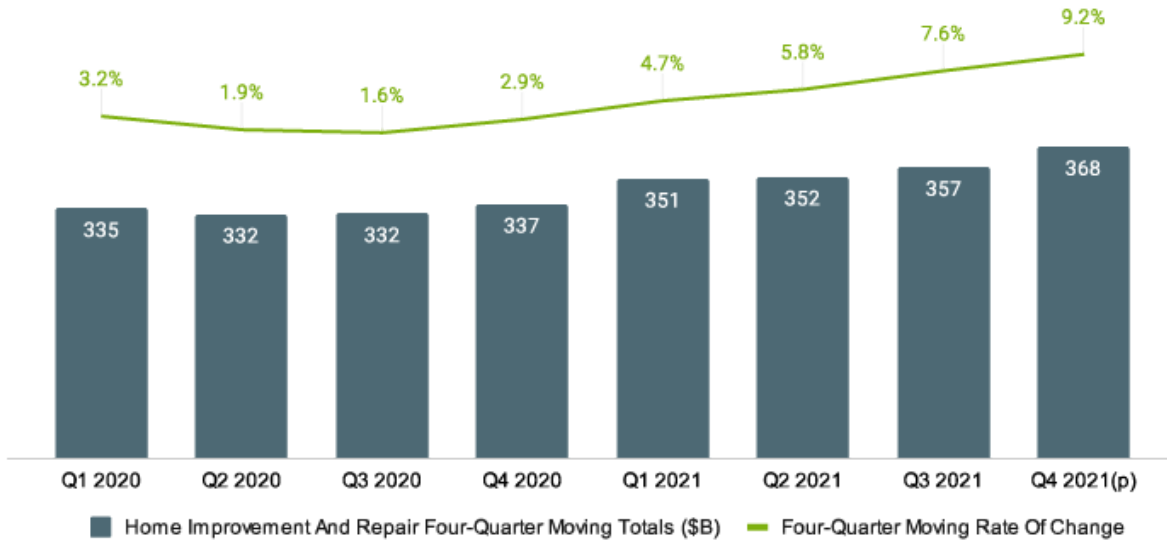


With most COVID-19 restrictions lifted, more and more homeowners are inviting contractors back into their homes. The Leading Indicator of Remodeling Activity (LIRA) report published by Joint Centre for Housing Studies of Harvard University shows a strong growth in home improvement and maintenance expenditures. The report projects that year-over-year gains will reach 9% in Q4 2021, and maintain that pace into 2022.[3]

#### TAKEAWAY

***The strong growth in home improvement and maintenance expenditure is expected to continue into 2022.***

**Leading Indicator of Remodelling Activity (Total Spending and Growth)**



## Trend Highlight: Rise in Costs

Before diving into the performance of the Home Service category as a whole, it's important to reflect on what economic trends may be impacting the results. Namely, the rise in gasoline prices and the growing cost of materials resulting from increased consumer demand.

Since service providers need gasoline to reach home owners and many of them need it to complete their work, the rise in prices has a direct impact on their businesses. Beginning in Q1 2021, we see rapid growth in gas prices, as illustrated in the Producer Price Index (PPI) chart below. PPI measures the average change over time in the selling prices received by domestic producers for their output. The upward trend continues throughout the duration of 2021, reaching peak levels in Q3.[4]

#### TAKEAWAY

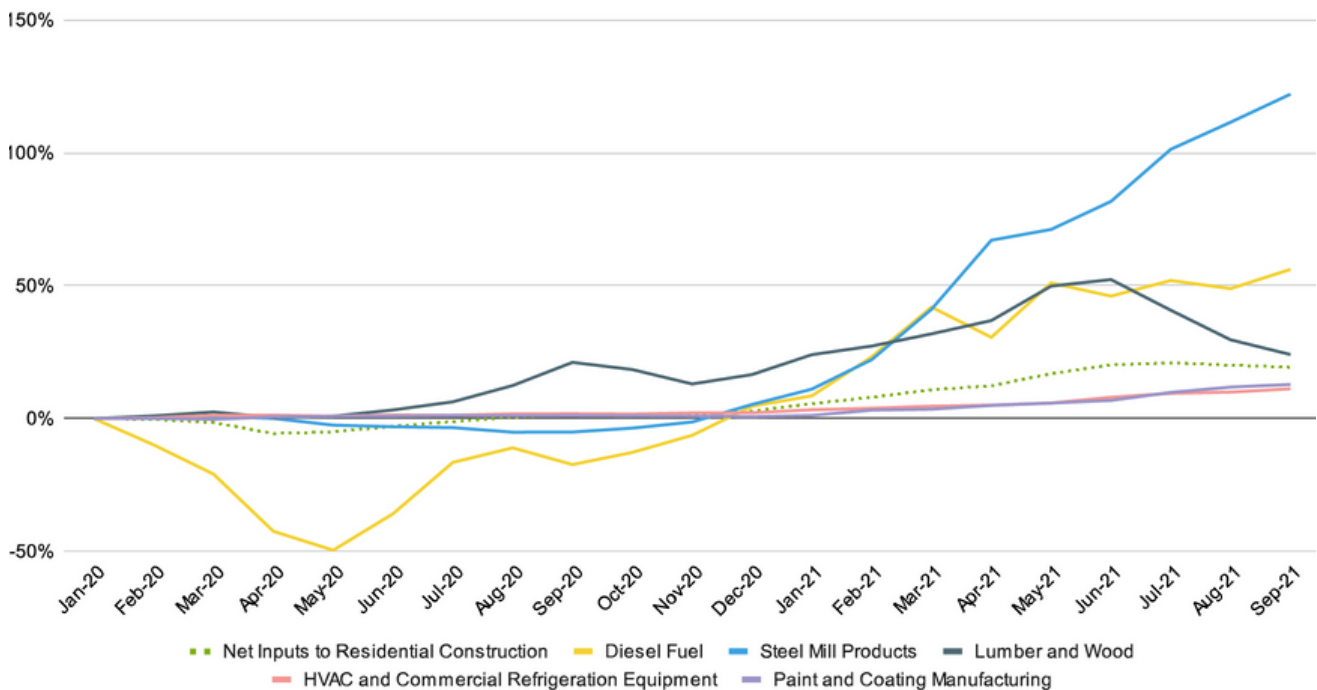
### ***Rapid growth in gas and diesel prices reached peak levels in Q3 2021.***

In addition to the rise in gasoline prices, we see an overall year-over-year increase in net input costs as it relates to the residential construction industry. Notably, there was a considerable spike in the cost of steel mill products beginning in 2021 due to high consumer demand. In Sept 2021, the cost of these products saw an increase of 122% over Jan 2020. Other commodities seeing a large increase in cost include diesel fuel, painting and coating manufacturing, as well as HVAC and commercial refrigeration equipment. Meanwhile, the cost of lumber and wood returned to levels experienced earlier in the year—which is still an increase of 24% compared to January 2020.[5]

#### TAKEAWAY

### ***The cost of steel mill products has spiked significantly in the second half of 2021.***

**Change in Producer Price Index (PPI) for Commodities Compared to Jan 2020**



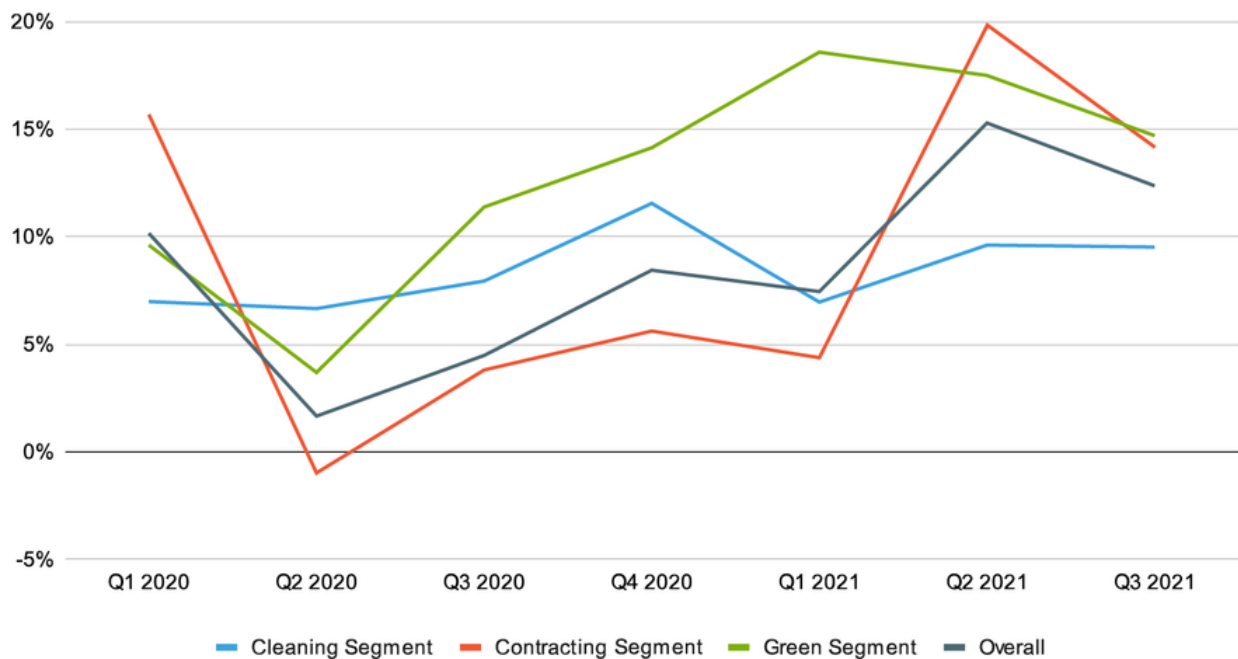


#### TAKEAWAY

***The cost of painting and coating manufacturing and HVAC and commercial refrigeration equipment have increased, while lumber and wood have normalized.***

The increase in material and transportation costs were reflected in invoice sizes, and as we'll see in the next section. Invoice sizes saw a high increase across the Home Service category in all the main segments; Cleaning, Contracting, and Green. The Green segment saw an increase starting in the second half of last year as consumers spent disposable income on outdoor services, while the Contracting segment increased their prices starting Q2 2021 due to an increase in their material costs.[6]

**YoY Growth in Median Invoice Size**



# Home Service Category Performance

## Employment

According to a recent report[7], 83% of skilled tradespeople are satisfied in their choice of work. Despite high job satisfaction, high pay, and entrepreneurship opportunities, the skilled trades face a worsening labor shortage. In fact, 77% of tradespeople view it as a problem that has gotten worse over the last 12 months.[8]

After a drastic increase during the first wave of the pandemic, the overall U.S. unemployment rate has been recovering since June 2020. In Sept 2021, unemployment improved to 4.8%.[9]

### TAKEAWAY

***The U.S. unemployment rate has been recovering since June 2020 and has now improved to 4.8% in Sept 2021.***

Data sourced from the U.S. Bureau of Labor Statistics illustrates the comparative impact the shortage of skilled workers has had on various industries, including construction. In the upcoming Home Service Compared to Other Categories section, we'll show how the ratio of hires to job openings has decreased significantly. This suggests that there is a continued desire to hire workers in many major industries, but a lot of positions are left unfilled. This is having a significant impact on the Home Service category as a whole.

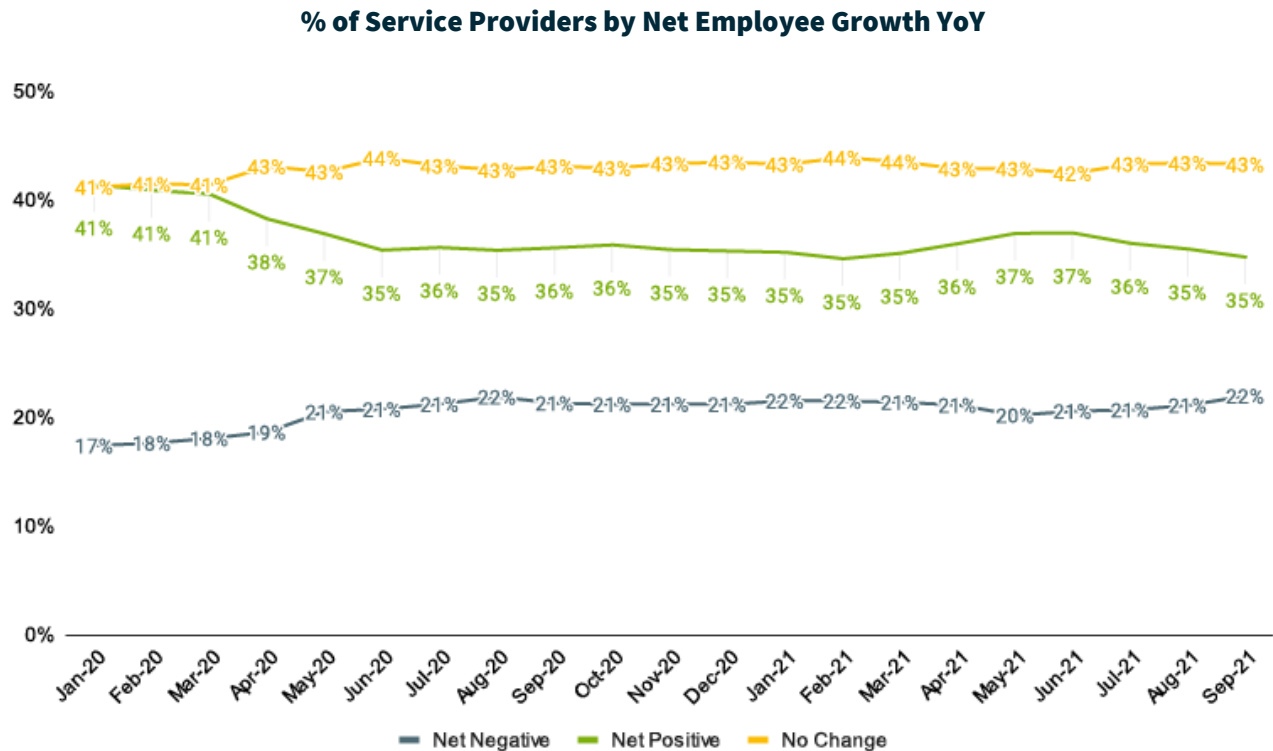
Using our data, we can evaluate the impact of employment on small home service businesses. Although consumer demand for Home Service returned after declining early on in the pandemic, the percentage of businesses who added employees has not returned at the same pace. In fact, employment dynamics in our data look to be essentially flat from June 2020 to Sept 2021.

### TAKEAWAY

***The percentage of businesses who added employees has been flat throughout 2020 and remains below pre-pandemic levels throughout 2021.***

#### TAKEAWAY

**The percentage of businesses decreasing their employee headcount is also flat and above pre-pandemic levels.**

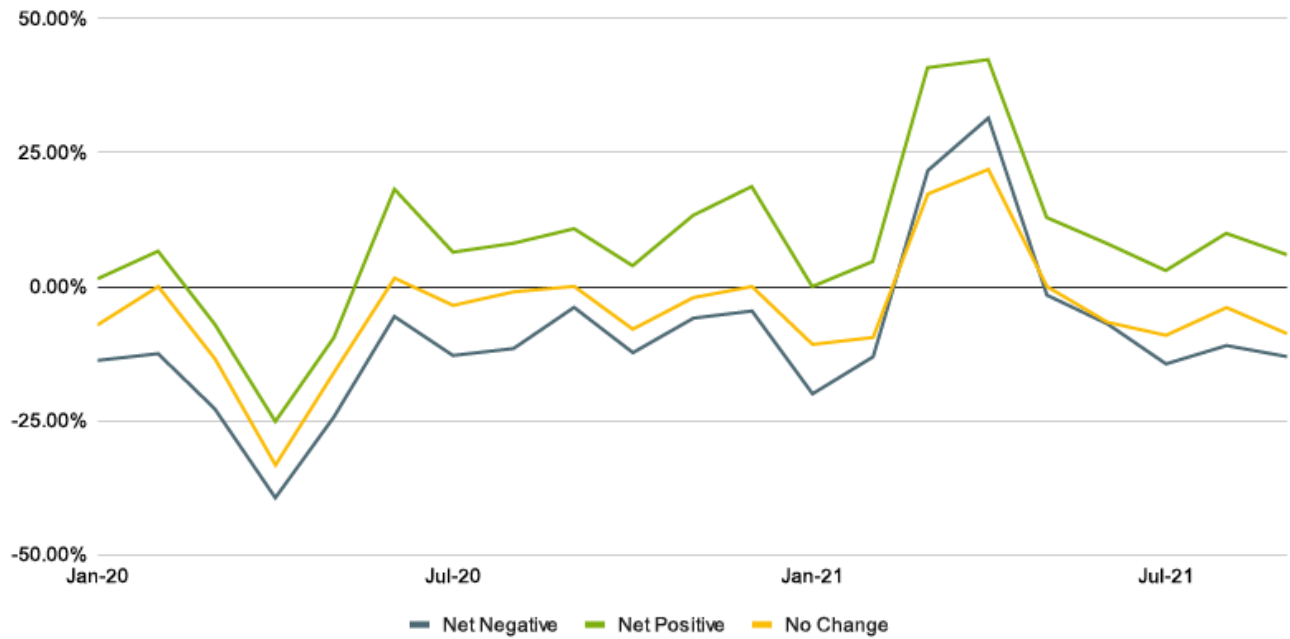


New work being scheduled is an early indicator of the health of Home Service businesses, and a proxy for consumer demand. Service providers who increased their headcount were able to schedule more work from the rise in consumer demand, and saw their revenue increase at a much faster rate.

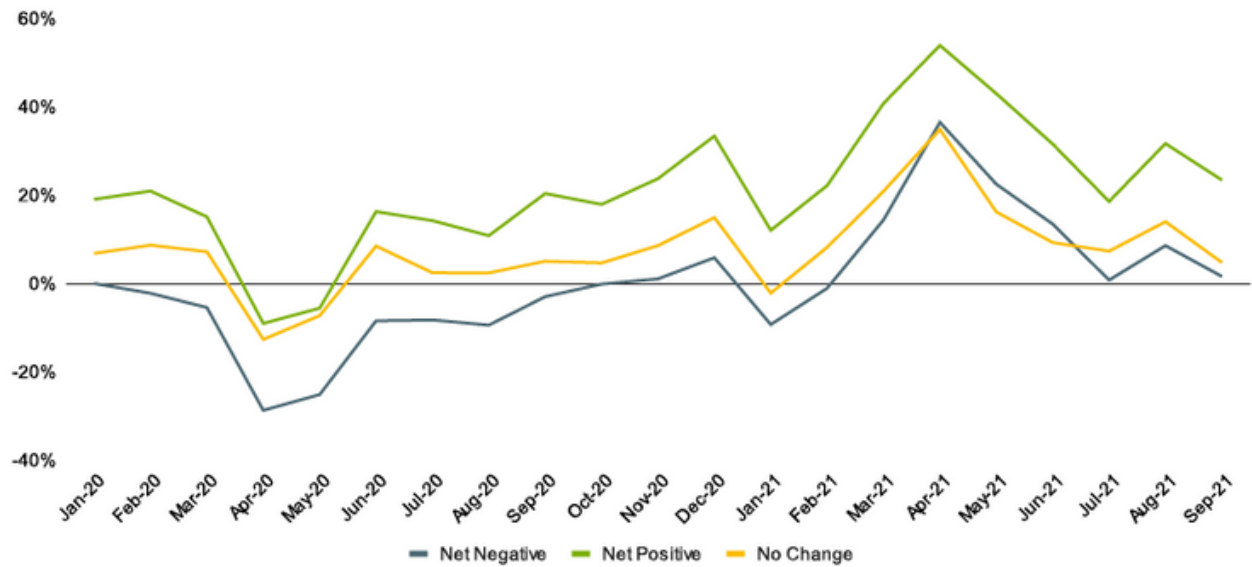
#### TAKEAWAY

**Service providers who increased their headcount were able to schedule more work from the rise in consumer demand and increase revenue at a much faster rate.**

## YoY Growth in New Work Scheduled in Relation to Net Employee Growth



## YoY Growth in Median Revenue in Relation to Net Employee Growth



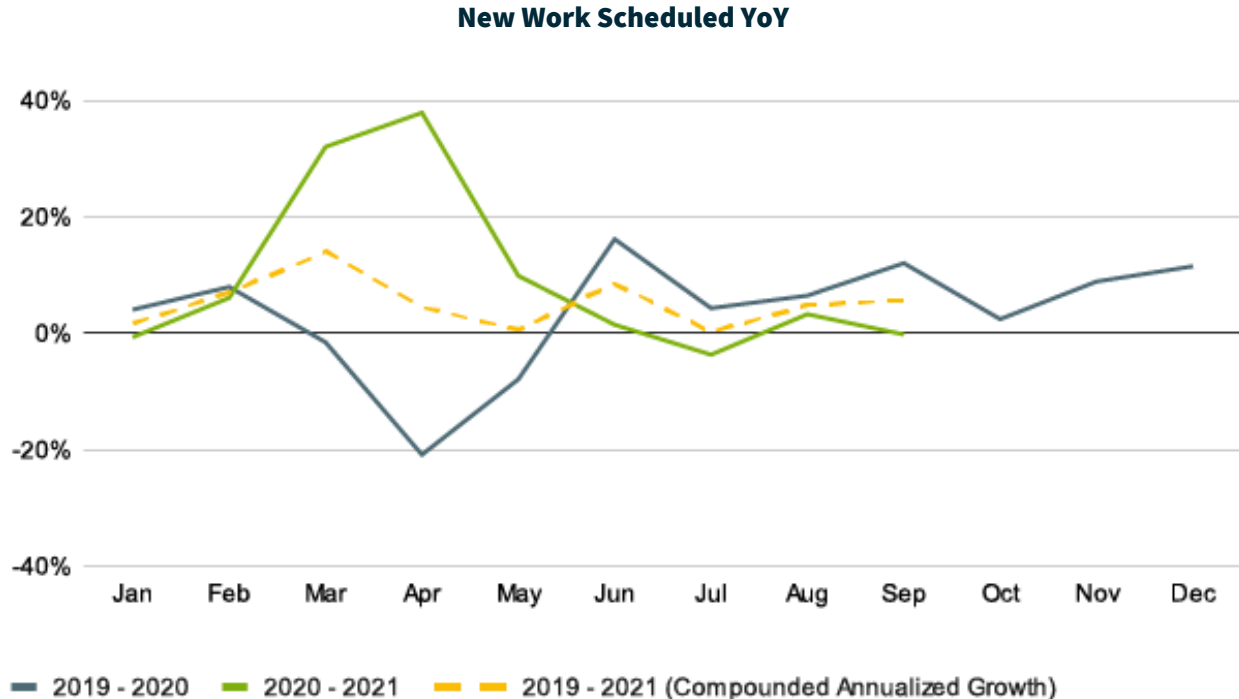
## Customer Demand & Revenue

To analyze the growth in 2021 while avoiding volatility from March to June, the data has been measured and visualized as compounded annual growth from two years prior in 2019. This way of looking at the 2021 data is used in many places throughout the report to normalize for unnatural year-over-year swings.[10]

Normally, new work scheduled and median revenue follow a similar trajectory—when new work scheduled grows, median revenue follows. However in Q3, we see a slower year-over-year growth in new work being scheduled, while median revenue is growing at a faster rate. The decline in work scheduled is a result of service providers' inability to meet the rising demand of homeowners due to the factors outlined above; increased cost of materials, material scarcity, as well as the labor shortage. Meanwhile, larger invoice sizes are resulting in higher revenue growth.

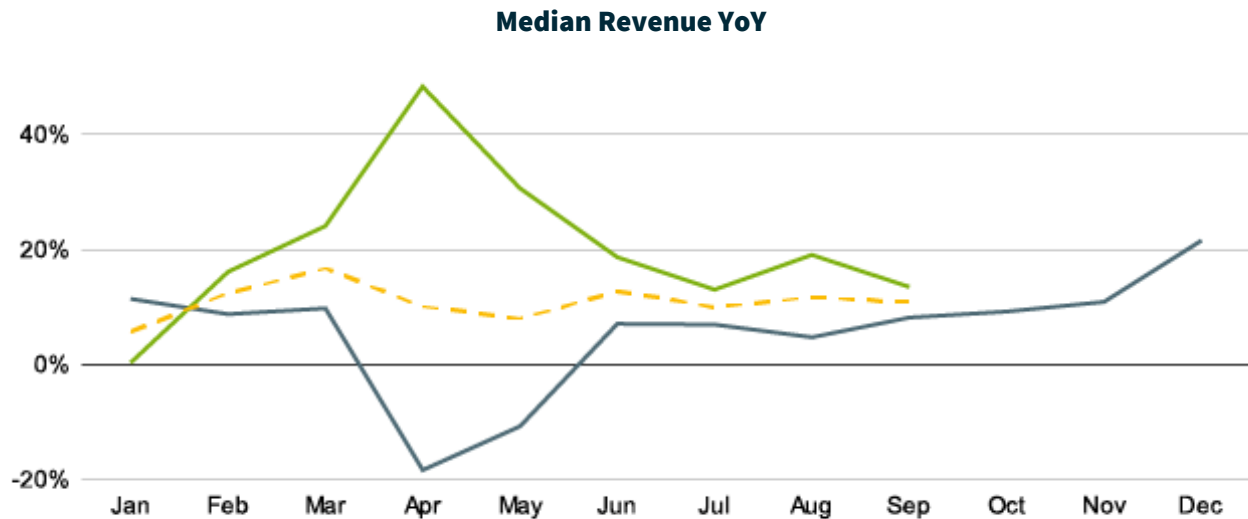
### TAKEAWAY

***In Q3 2021, we see slower year-over-year growth in new work being scheduled, while median revenue is growing at a faster rate.***



#### TAKEAWAY

**Increased cost of materials, material scarcity, and labor shortages are causing a decline in new work scheduled.**



#### TAKEAWAY

**Larger invoice sizes are resulting in higher revenue growth.**

Since the Home Service category consists of a large range of industries, it's useful to segment the data to better understand trends within different segments of this category. To do so, we split the data into Cleaning, Green, and Contracting businesses. The Cleaning segment consists of residential cleaning, pressure washing, and more. The Green segment provides lawn care, landscaping, and other related outdoor services. Finally, the businesses in Contracting are made up of construction contractors, plumbers, electricians, and others.



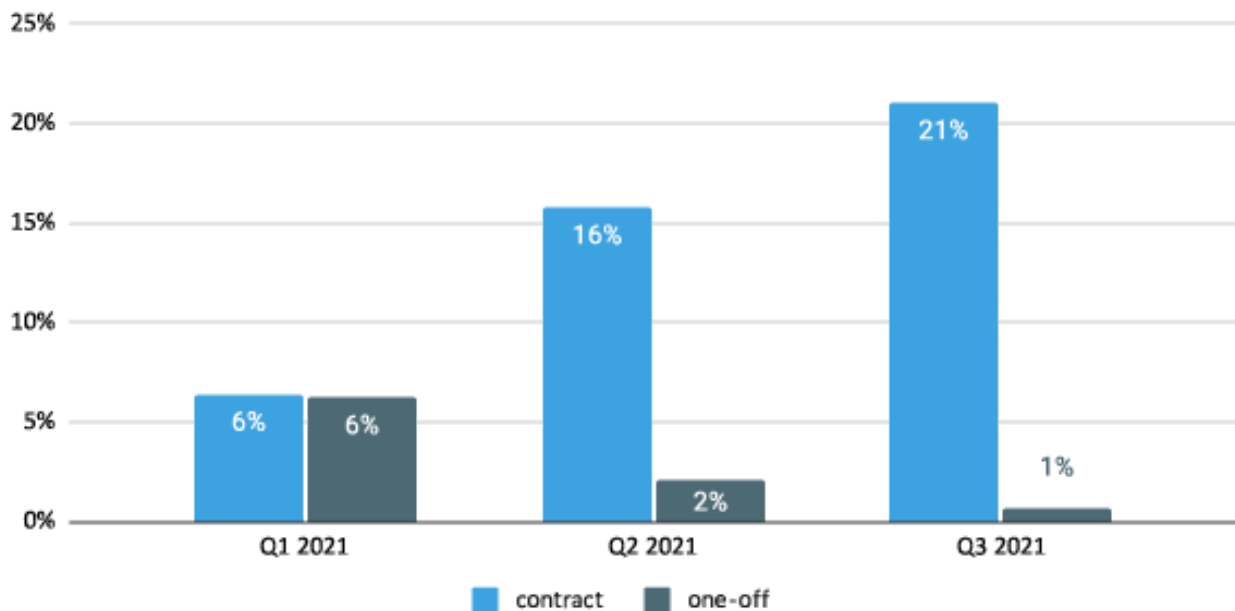
## Cleaning

Cleaning businesses are scheduling work at a similar growth rate as last year. Both homes and businesses have opened up to cleaners since restrictions have been lifted across the U.S. The recent growth is driven by contract jobs, which saw an increase of 21% year-over-year in Q3 2021, using the same 2019 to 2021 compounded methodology explained earlier.

### TAKEAWAY

***Recent growth in new work scheduled is driven by contract jobs, which saw a 21% year-over-year increase in Q3 2021.***

**Compounded Annualized Growth in Contract & One-off Jobs - Cleaning (2019 - 2021)**

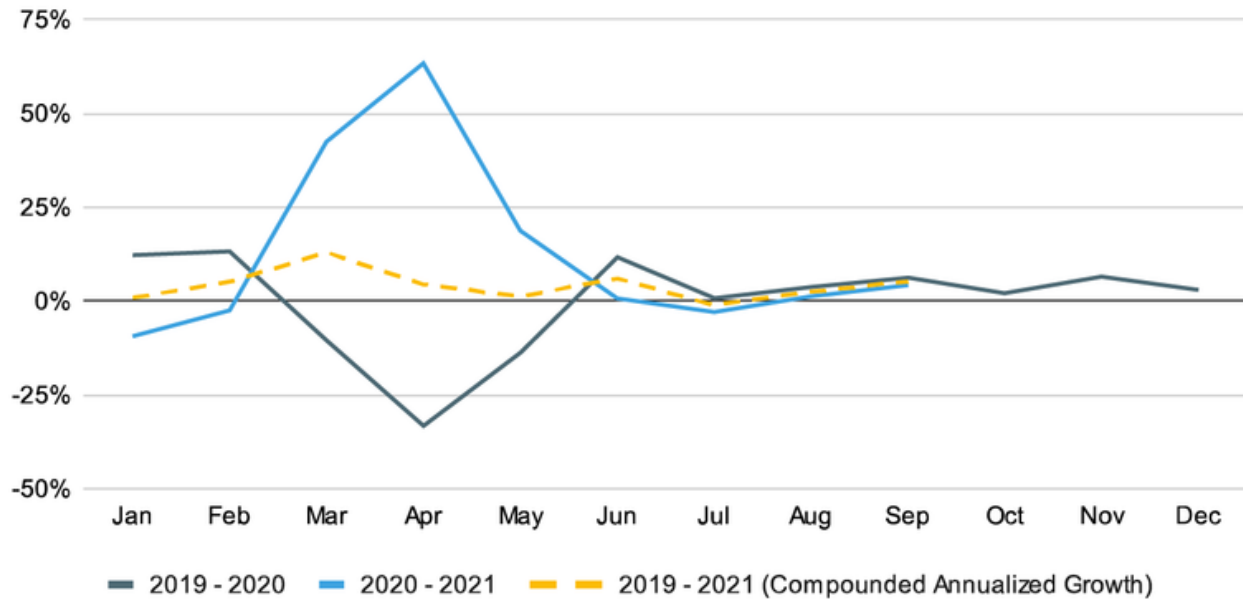


Cleaning businesses started 2021 off slow but have seen healthy growth throughout the first two quarters of the year. New work scheduled slowed down in the summer, but the increase in invoice sizes for cleaning services have also resulted in a higher revenue growth over the same time period last year.

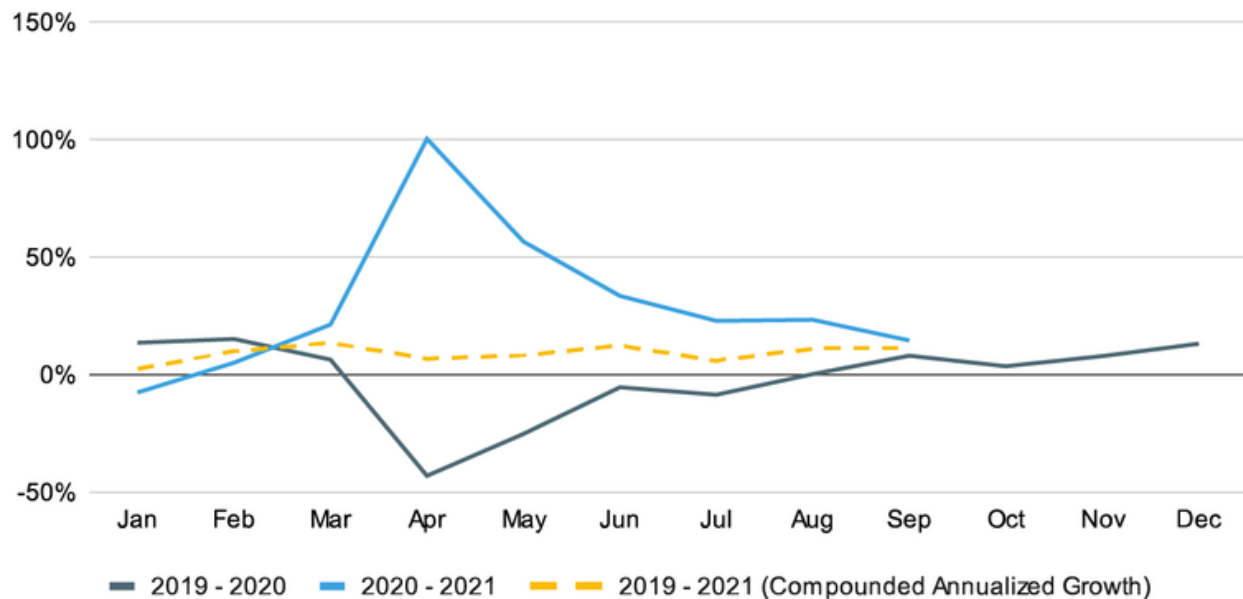
TAKEAWAY

***Increases in invoice sizes for cleaning services have resulted in a higher revenue growth over the same time period last year.***

**New Work Scheduled YoY — Cleaning**



**Median Revenue YoY — Cleaning**



## Green

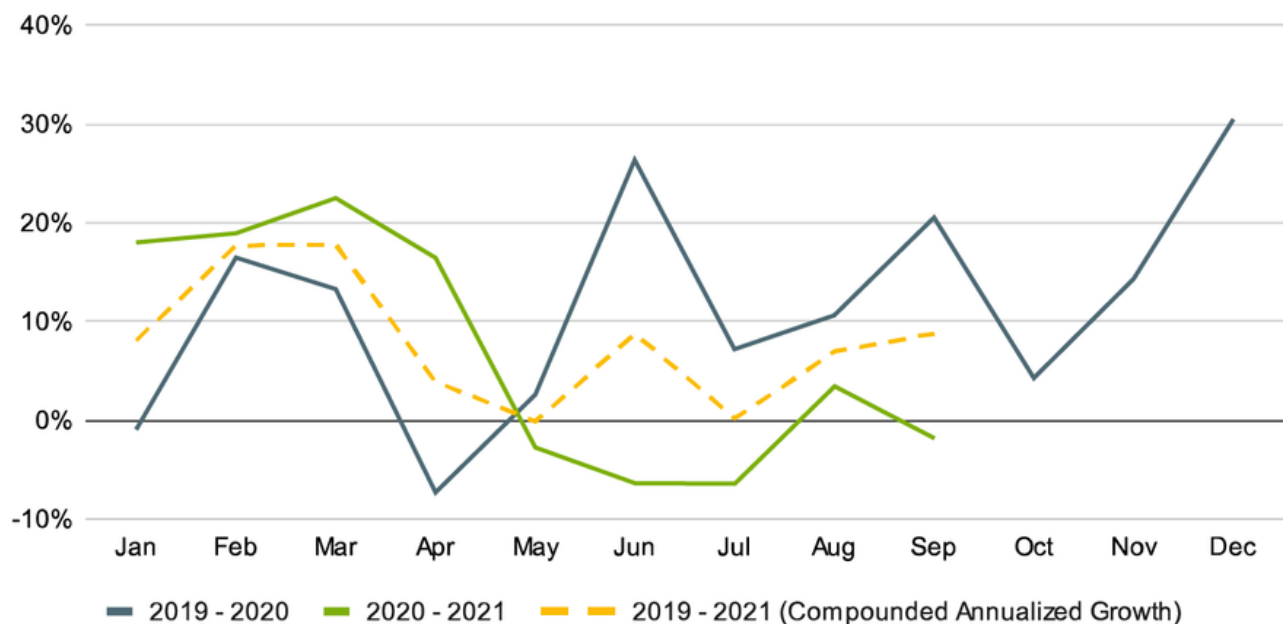
Businesses in the Green segment are often seasonal, and perform a lot of their work in the spring season. While some industries within Green have low barriers to entry similar to residential cleaning, services such as tree care require specialization and have tight regulations.

This segment experienced a very high growth last year as consumers invested more in outdoor projects such as landscaping, which could be done while staying within the parameters of physical distancing. The growth in new work scheduled in Q3 2021, although below the growth rate of Q3 2020, continues to stay positive at just under 10% growth year-over-year. However, the growth in revenue matches 2020 and is outpacing the growth in new work scheduled as a result of the increased cost of services.

### TAKEAWAY

***Growth in new work scheduled in Q3 2021 continues to stay positive at just under 10% growth year-over-year.***

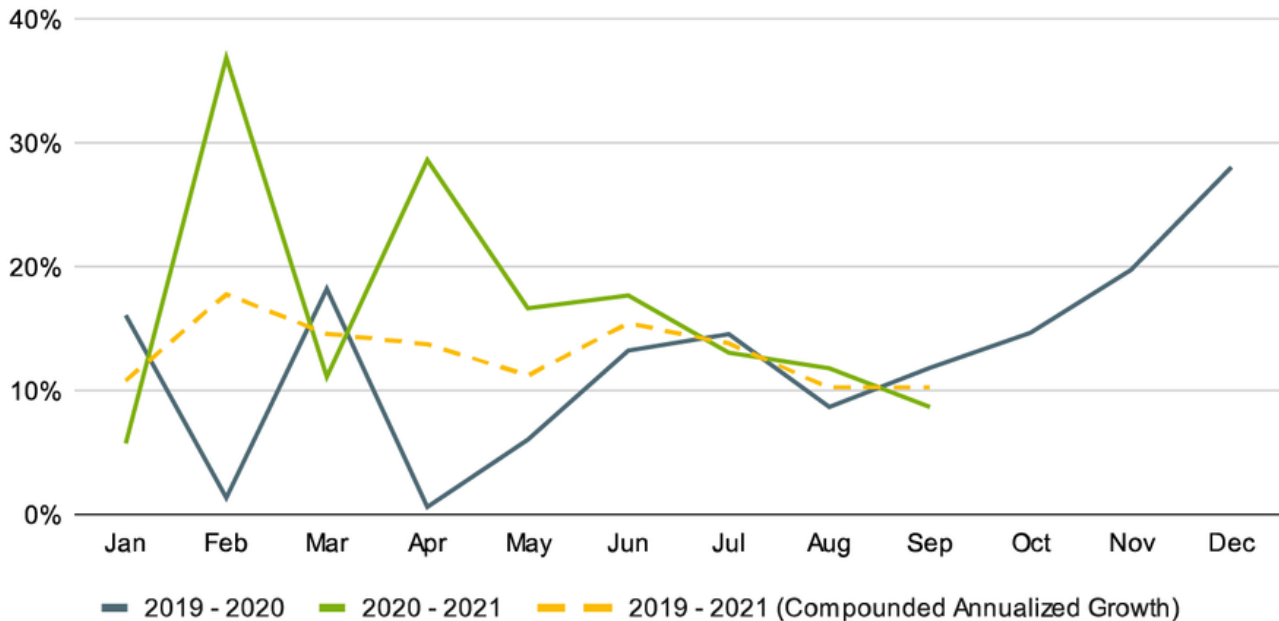
New Work Scheduled YoY — Green



#### TAKEAWAY

***Growth in revenue matches 2020 and is outpacing growth in new work scheduled as a result of the rising cost of services.***

Median Revenue YoY — Green



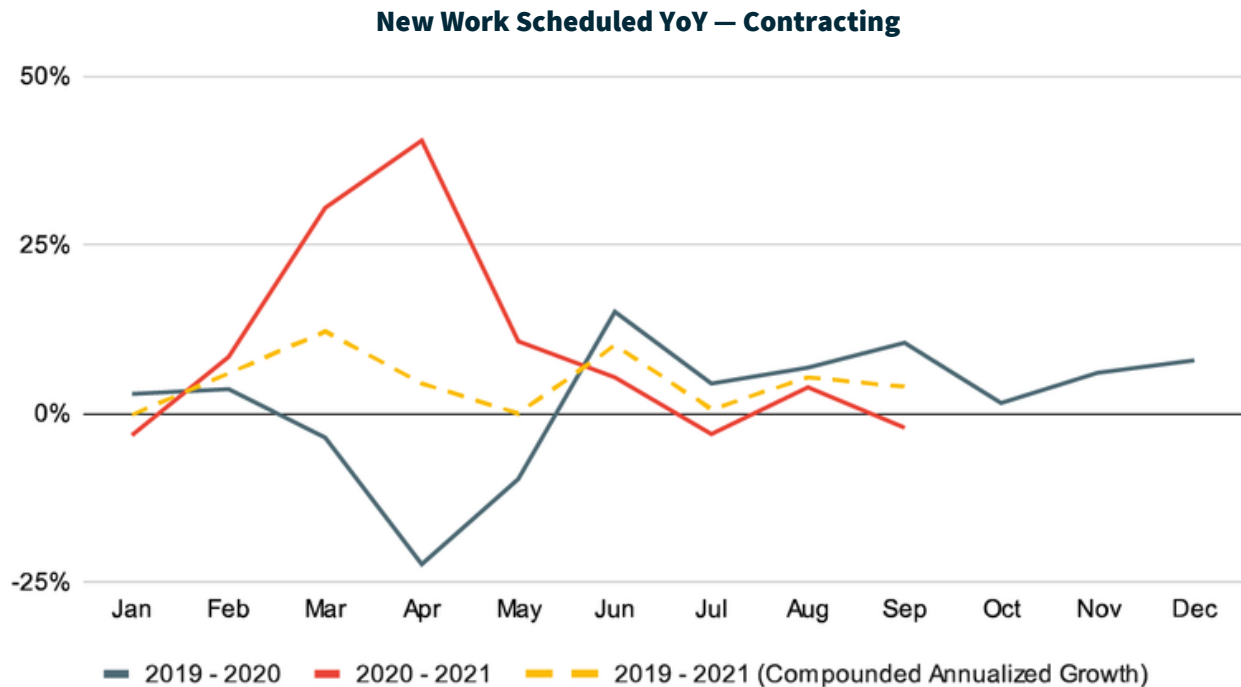
## Contracting

Professionals in the Contracting segment require specialization and licensing in many regions. Although they generally do fewer jobs, revenue from each job is much higher on average compared to Cleaning and Green.

Contracting businesses have also shown a positive growth year-over-year in new work scheduled in Q3 2021 but they have been impacted the most by the shortage in skilled labor and are unable to schedule work at the same growth rate as last year.[11] Similar to cleaning and green segments, the higher invoice sizes have resulted in a higher growth in revenue over 2020 than that of new work scheduled.

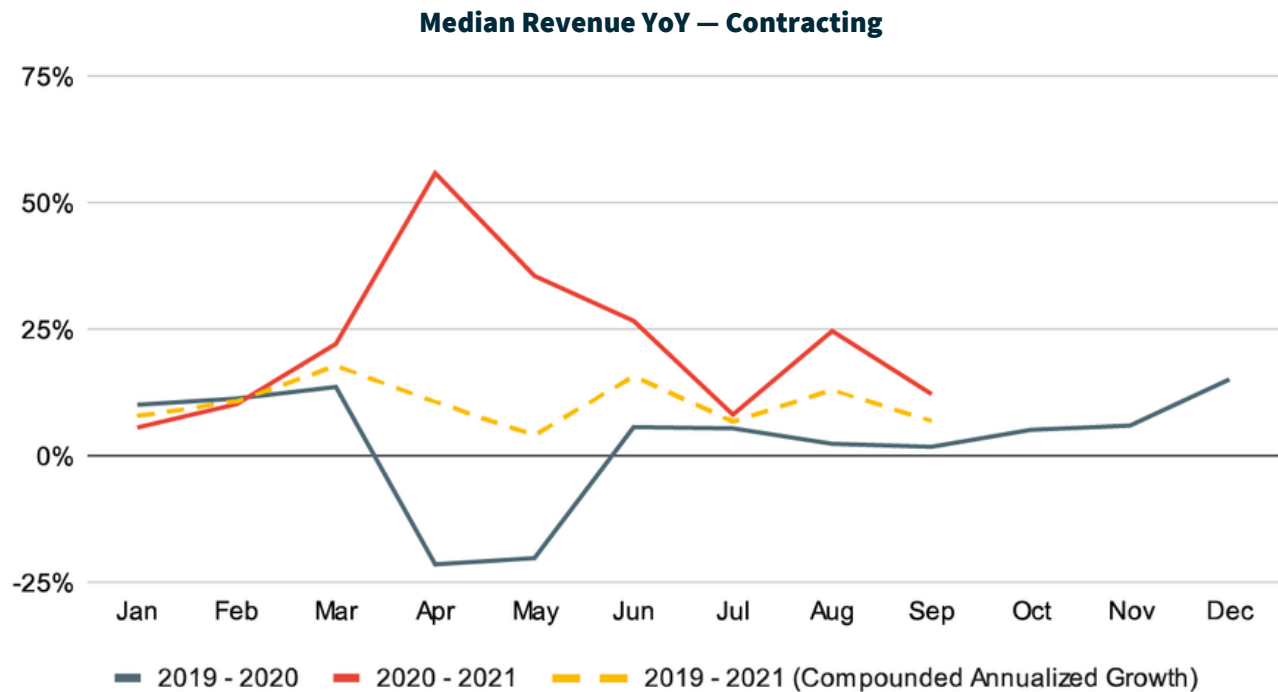
TAKEAWAY

**Contracting businesses have shown positive growth in new work scheduled year-over-year in Q3 2021 but have been impacted the most by labor shortages.**



TAKEAWAY

**The higher invoice sizes have resulted in a higher growth in revenue over 2020 than that of new work scheduled.**



## Home Service Compared to Other Categories

### Employment

As stated earlier, the U.S. unemployment rate has been recovering since June 2020 after a drastic increase during the first wave of the pandemic.

To assess employment in the Home Service category, we look at how it compares to Total Nonfarm employment; all employment excluding farm workers, private household employees, and non-profit organizations. Though the Home Service category spans a wide range of industries, two North American Industry Classification System (NAICS) categories make up a large portion of the businesses in this category. Services to Buildings and Dwellings refers to most businesses that make up Cleaning and Green businesses, such as pressure washing and landscaping, while Specialty Trade Contractors refers to Contracting businesses such as plumbing and HVAC.[12]

Total Nonfarm employment continues to improve from June 2020, but remains negative in 2021 as compared to 2019 levels. This is the case for most categories, with the exception of Food and Beverage Stores, though growth in this category is stagnant.



#### TAKEAWAY

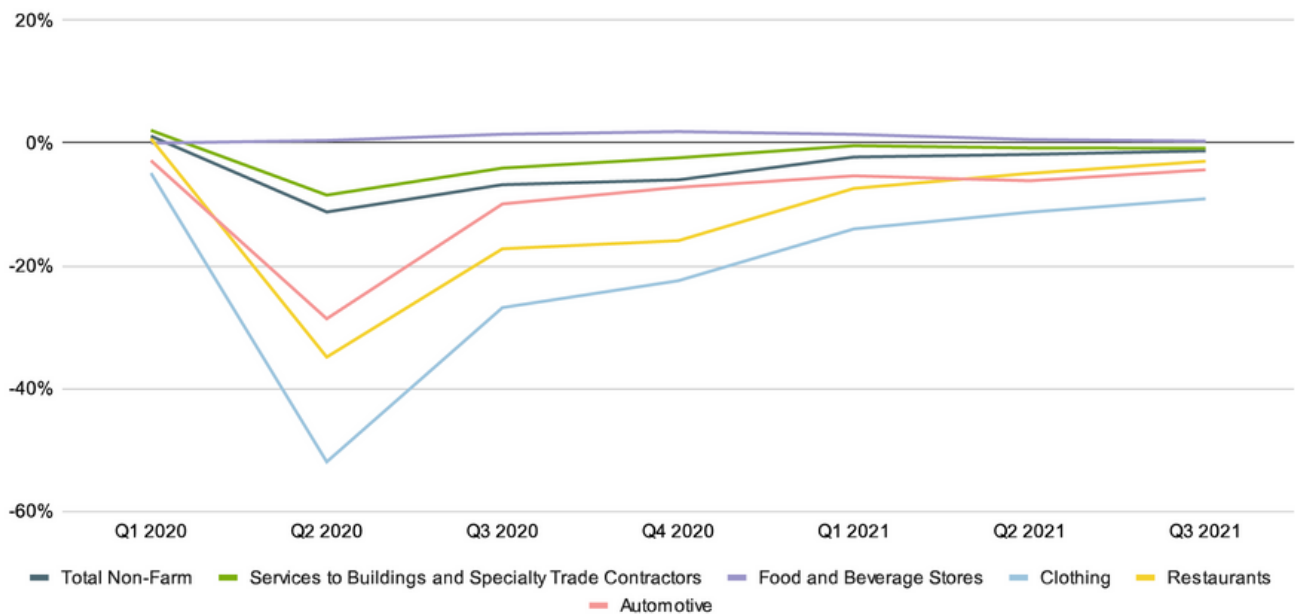
**Total Nonfarm employment continues to improve from June 2020, but remains negative in 2021 as compared to 2019 levels.**

The Home Service category started 2020 on a similar level as Total Nonfarm in terms of year-over-year growth, and fell at a similar rate in April 2020 due to the pandemic. However, the recovery rate has been much better throughout 2020 and that continues to be the case throughout 2021. Towards the end of Q3, the growth rates appear to be converging.

#### TAKEAWAY

**The recovery rate for Home Service has been much better throughout 2020 and 2021.**

**Employment — Compounded Annualized Monthly Growth Compared to 2019**

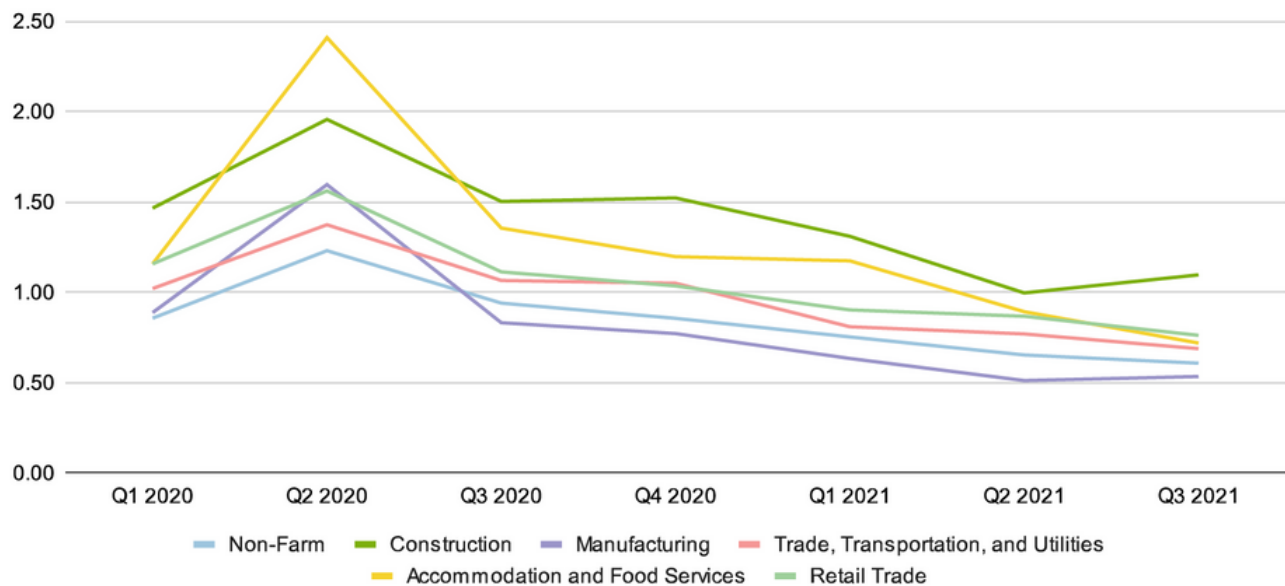


As mentioned earlier, the ratio of hires to job openings has decreased significantly, suggesting that there is a continued desire to hire workers in many major industries. In Q3, this metric is continuing to decline, with the exception of construction and manufacturing, which improved slightly but remain below pre-pandemic levels. The unfilled positions are having a big impact on Home Service businesses across the board.[12]

#### TAKEAWAY

***The ratio of hires to job openings has decreased significantly, suggesting that there is a continued desire to hire workers in many major industries.***

**Ratio of Hires to Job Openings**



## Consumer Demand

Data from the U.S. Bureau of Economic Analysis has been used to evaluate consumer spending across several categories. Since there is no specific expenditure type that directly aligns with Home Service spending as a whole, 'furnishings, household equipment, and routine household maintenance' is a category that can be used as a proxy.

As indicated in the chart below, all expenditure types experienced similar, positive growth at the beginning of 2020. When pandemic-related volatility ensued in Q2, essential goods and services saw an increase in demand while all other expenditure types declined. By 2021, the trend eventually stabilized with all expenditure types returning to, and in some cases exceeding, pre-pandemic levels.

**TAKEAWAY**

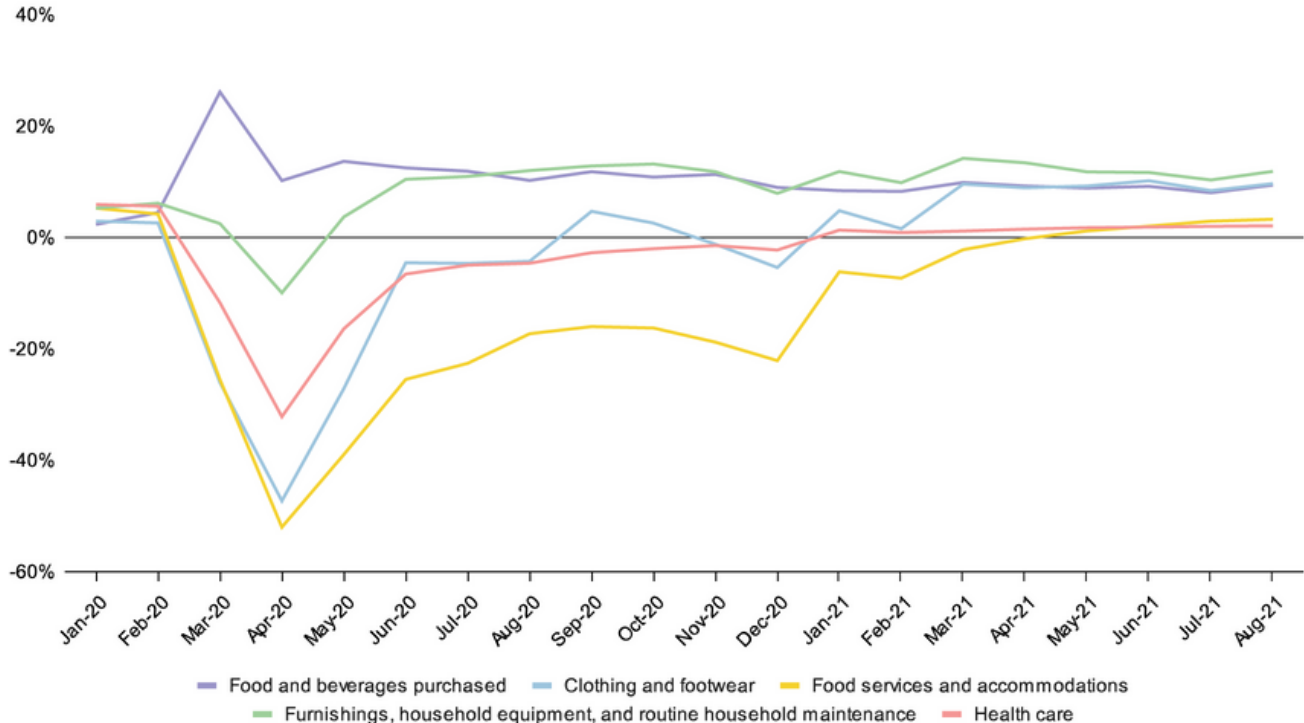
***Spending on Home Service recovered faster than all other categories in 2020.***

Spending on Home Service recovered faster than all other categories in 2020. From June 2020 onwards, spending in this category has exceeded pre-pandemic levels, is out-performing all other categories, and continues to look very healthy as we enter the last quarter of 2021.[13]

**TAKEAWAY**

***From June 2020 onwards, spending has exceeded pre-pandemic levels, is out-performing all other categories, and looks very healthy for the final quarter of 2021.***

### Consumer Spending Category Comparison – Compounded Annualized Monthly Growth Compared to 2019

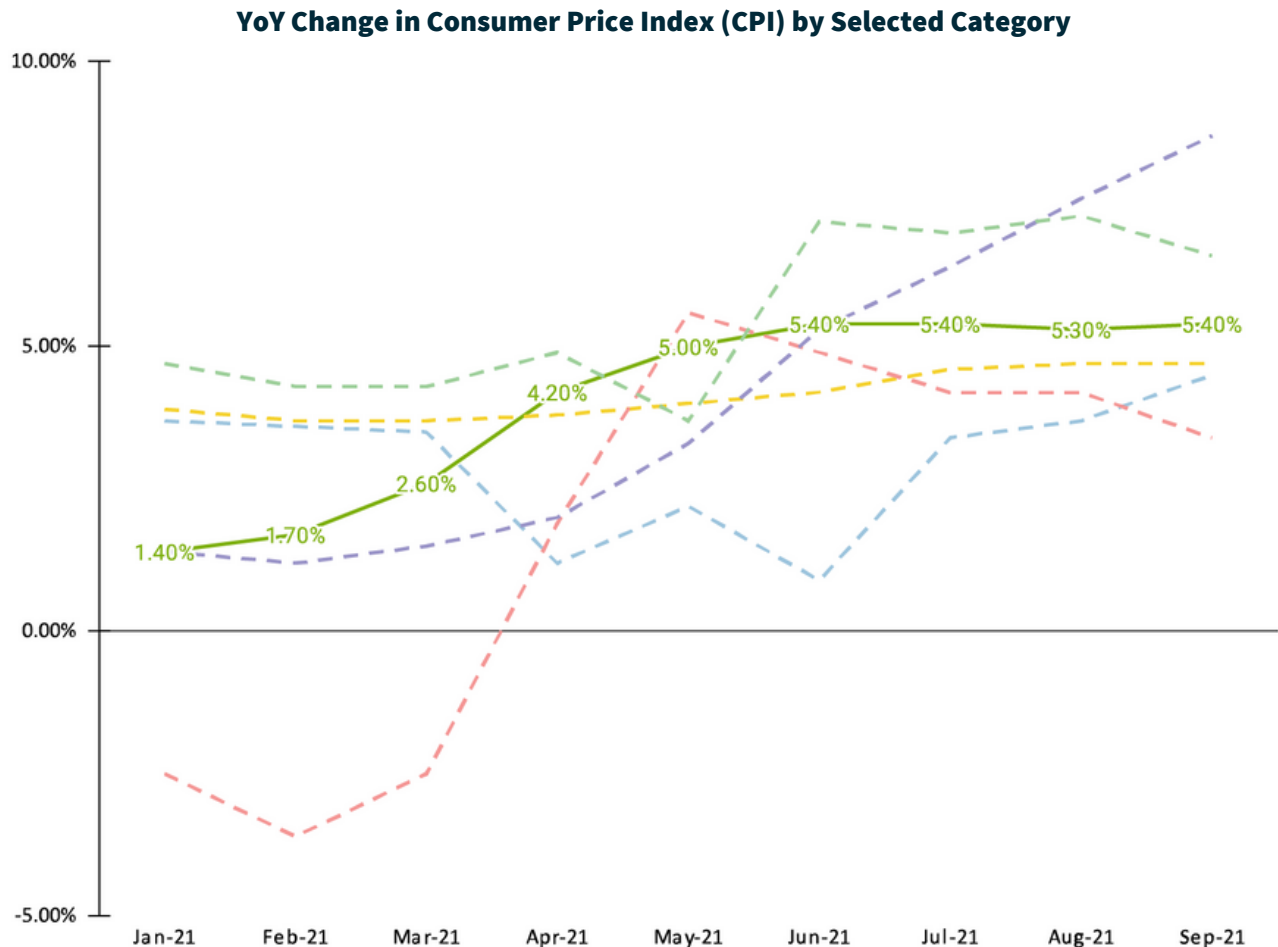


A rise in inflation occurs when prices rise due to increases in production costs, such as raw materials and wages. A surge in demand for products and services can also cause inflation as consumers are willing to pay more. In today's economy, both scenarios are contributing to the rise of inflation across the U.S.

According to the U.S. Bureau of Labor Statistics, the 12-month change in overall Consumer Price Index (CPI), which represents changes in prices as experienced by consumers, grew from 1.4 at the start of the year to 5.4% in Sept 2021.[14] The 'household operations' category, a proxy for Home Service, represents 0.9% of total CPI weights[14] and has a 6.6% increase in the last 12 months. Even though 'household operations' is not significant in terms of the weight, it generally had a higher year-over-year increase compared to overall inflation in 2021. 'Food at home' represents 8% of the CPI weights and has been trending up in the last quarter. 'Food away' from home usually makes up 6% of the weight and the year-over-year changes are also growing slowly.

#### TAKEAWAY

***Inflation is resulting in increased prices across most categories; Home Service saw a substantial consumer price increase in the last 12 months.***



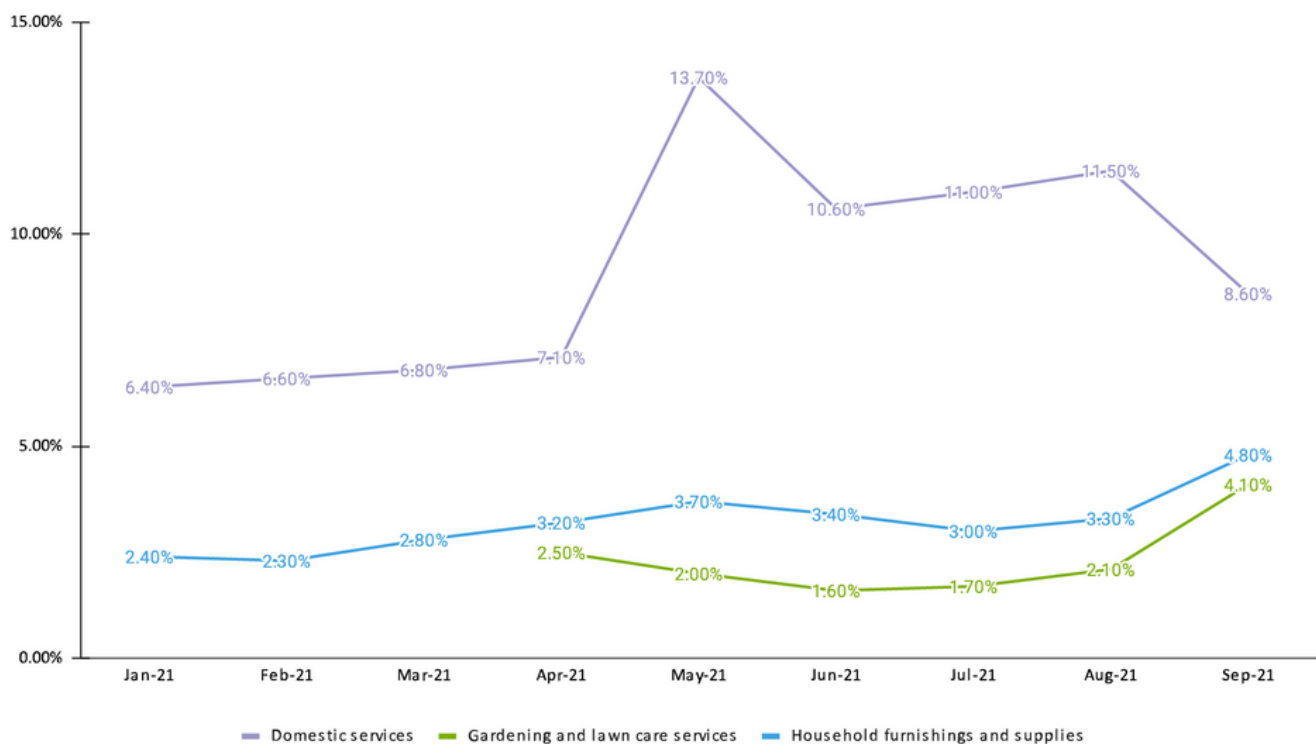
When analyzing the year-over-year change in CPI within the Home Service category, one segment we can look at is domestic services, a subcategory that represents the employment of hired workers by private households for the performance of tasks such as house cleaning, cooking, child care, and personal service. This sub-category had a big increase in Q2 when compared to the pandemic period last year. By the end of Q3, growth declined, but is still outpacing pre-pandemic levels.

#### TAKEAWAY

**Domestic services had a big increase in Q2 compared to the pandemic period last year, but growth declined by the end of Q3.**

'Household furnishings and supplies' (floor coverings, appliances etc.) had a 4.8% increase while gardening and lawn care services also experienced year-over-year growth in Q3. Since the weight in CPI is too small to measure in Q1 within the gardening and lawn care services category, data could not be collected.

**YoY Change in Consumer Price Index (CPI) by Selected Category (Home Service Related)**



## Revenue Growth

Many major categories started 2020 with similar levels of growth prior to the onset of the COVID-19 pandemic hit. Restaurants and Clothing Stores were impacted the most in 2020 due to indoor dining and brick-and-mortar retail closures, whereas Grocery Stores and General Merchandise Stores growth remained stable.[15]



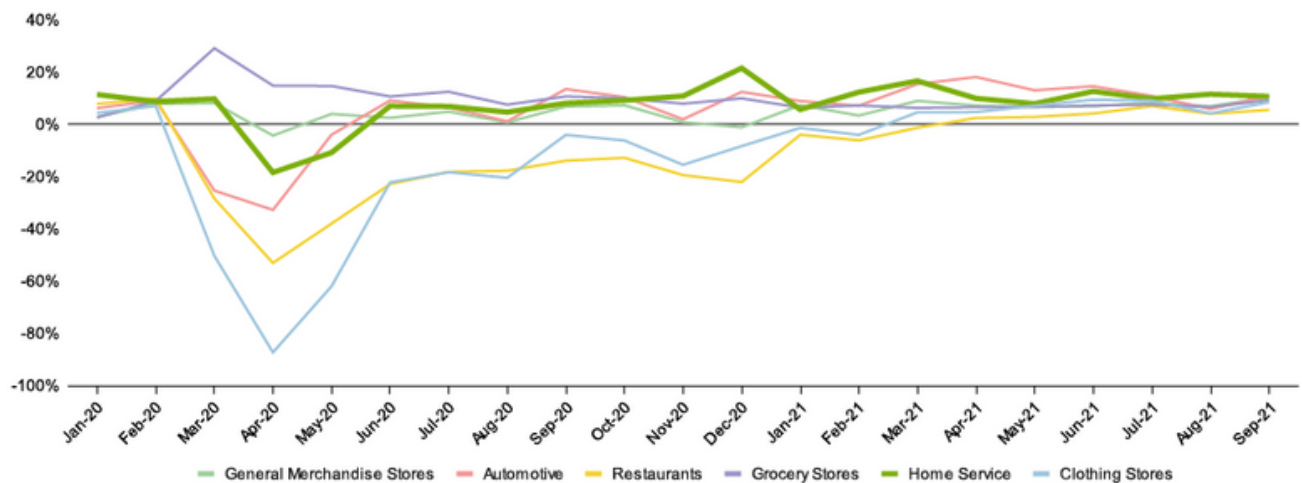
After experiencing a decline in April 2020, Home Service rebounded to pre-pandemic levels by June 2020 and has seen healthy growth ever since. By Q3, revenue growth in the category outperformed all other categories, including Grocery Stores and General Merchandise Stores.

#### TAKEAWAY

***Home Service rebounded to pre-pandemic levels by June 2020 and has been steadily on the upward trajectory ever since.***

Based on the data, all categories appear to have stabilized after diverging from the norm throughout 2020.

**Category Revenue Comparison — Compounded Annualized Monthly Growth Compared to 2019**



#### TAKEAWAY

***Revenue growth in Home Service outperformed all other categories, including Grocery Stores and General Merchandise Stores, in Q3 2021.***

# Future Outlook

Even during times of economic uncertainty, stress on the supply chain, rise in material costs, and labor shortages, Home Service businesses continue to persevere and outperform nearly every other major category. As a result of the booming real estate market and growth in home renovations, customer demand for home services is at an all-time high and shows no signs of slowing down.

The data suggests that global and domestic supply chain bottlenecks will extend into the final quarter of this year, which means continued high cost for many materials needed to perform home services. In addition, the shortage of skilled workers will continue to impact the ability for businesses to meet consumer demand. These obstacles highlight an opportunity for more entrepreneurs to enter the Home Service category, and build businesses to meet the growing needs of consumers.

The COVID challenge returned earlier this year due to a rise in delta variant cases, but seems to be improving once again. Although vaccinations are expected to help with this new wave, the impact on society as well as the economy is hard to predict. That said, Home Service businesses have proven that they're able to withstand even the harshest economic conditions—and that will help these businesses prosper during this boom in consumer demand.



# Data Sources & Methodology

[1] The small business data provided is from the U.S. Small Business Administration Office of Advocacy. The specific metrics shared are from a [Research Summary](#) published by the organization as well as an annual [FAQ](#) they provide.

[2] The data for new residential units built and under construction and new privately owned residential building permits issued is compiled from the [U.S. Census Bureau's Monthly New Residential Construction Report](#). Total residential sales are calculated by combining new residential sales from the [U.S. Census Bureau's Monthly New Residential Sales Report](#) with the sales of previously owned houses from the [Trade Economics](#) report.

[3] The home renovation's actual and projected growth is captured from [October's press release](#) published by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University.

[4] The rise in retail gasoline prices in the US can be found in [data published](#) by the U.S. Energy Information Association.

[5] The data for the Produce Price Index (PPI) of commodities is extracted from [FRED Economic Data](#) who source their data from the U.S. Bureau of Labor Statistics.

[6] The supply and demand dynamics for the construction industry were covered in depth in our [Home Services Report: Mid-Year Review](#).

[7] Reference to the [report](#) published by Skilled Trades in America.

[8] Reference to the [article](#) published by PeopleReady.

[9] Unemployment rates are extracted from the U.S. Bureau of Labor Statistics's new [release](#).

[10] The year-over-year change in new work scheduled, median revenue, and invoice sizes have been calculated by aggregating data across a cohort of businesses using Jobber since 2019. This doesn't include any new businesses that started using Jobber during that period.

[11] Reference to the [report](#) published by the U.S. Chamber of Commerce.

[12] The employment growth metrics, number of hires, and number of job openings are provided from [FRED Economic Data](#), who sourced their data from the U.S. Bureau of Labor Statistics. We combined employment statistics for 'Services to Buildings and Dwellings' under "Professional and Business Services" with Specialty Trade Contractors under "Construction" to create an equivalent for the Home Service category. The ratio of hires to job openings is calculated by dividing the number of hires by the number of job openings in a given month.

[13] The consumer spending data is sourced from the U.S. [Bureau of Economic Analysis](#). The year-over-year change in consumer spending is calculated from [personal consumption expenditure](#) (Table 2.3.5U) data published on the website.

[14] The consumer price index data is from U.S. Bureau of Labor Statistics. CPI weights and 12-month percentage change on home service related categories are from September 2021's Consumer Price Index News Release (Table 2. Consumer Price Index for All Urban Consumers (CPI-U): U.S. city average, by detailed expenditure category, September 2021).

[15] All category data outside of Home Service comes from the [U.S. Census Bureau's Advance Monthly Retail Trade Report](#). The year-over-year change in median revenue has been used as a proxy for the Home Service category data point, which is the Home Service equivalent to 'same-store sales growth.' As a result, we believe this to be a conservative estimate for the category as a whole because it doesn't include new business starts, while the U.S. Census Bureau's trade report includes all sales from new business starts as well as same-store sales.

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