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Industry Labor Trends for Janitorial Contractors

an eBook by Kwantek and TEAM Software

How the janitorial and building service industry compares to national averages and what that means for your business.

Introduction

Over the past fifteen years, the U.S. economy and job market has seen dramatic ups and downs. With labor being their top expense, businesses in the janitorial industry, specifically building service contractors, have felt the impact of those fluctuations stronger than other industries. In this eBook, we document the state of the overall job market and how it has changed over the years. Then, we look at the same charts as they relate to the building service industry.

The BSC-specific data is a sample of over 250,000 employees hired through Kwantek Applicant Tracking Software and processed as employees through TEAM Software's workforce management software between 2015 and 2018. The data was collected from 20 mutual customers who agreed to participate in this exercise. As strategic partners with industry-specific end-to-end solutions, Kwantek and TEAM can obtain exclusive data on the janitorial industry.

National Trends

Employees to Jobs

Just prior to the Great Recession in December 2007, there was an average of 1.7 unemployed people per job opening. That number ballooned to 6.4 unemployed people per job opening in July 2009.

In this market, companies that were lucky enough to continue to add new employees could be extremely selective in their hiring process. The pool of available candidates was much larger, and they were eager to find gainful employment wherever possible.

Recently, this ratio has dipped to a number even smaller than prerecession lows. In March 2019, there were 0.8 unemployed people per job opening, meaning there were more job openings than unemployed people looking for work. It's becoming increasingly difficult for high-turnover industries like janitorial and building service to capture enough applicants, much less be selective about who they're hiring.

Chart 1. Number of unemployed persons per job opening
Seasonally adjusted

Source: Bureau of Labor Statistics, Current Population Survey and Job Openings and Labor Turnover Survey, July 9, 2019.

Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER).

Chart: Number of Unemployed Persons Per Job Opening, 2004-2019

Quits and Hires

Since the Great Recession, employees are seeing more job opportunities available and can gain new employment easier. They're quitting nearly twice as often as they were at the lowest point of the recession. In fact, over the last 12 months, 27.2 percent of the entire workforce has quit a job. This is the first time in history where there are more job openings than unemployed people looking for work. On top of that, national quit rate is at an all-time high of 3.6 percent per month. And, in the janitorial industry, these numbers are predictably amplified at 8.1 percent per month.

Meanwhile, the industry has steady growth in hire rates, while the national average has remained flat. Janitorial companies hire employees at a rate that's 2.3 times the national average.
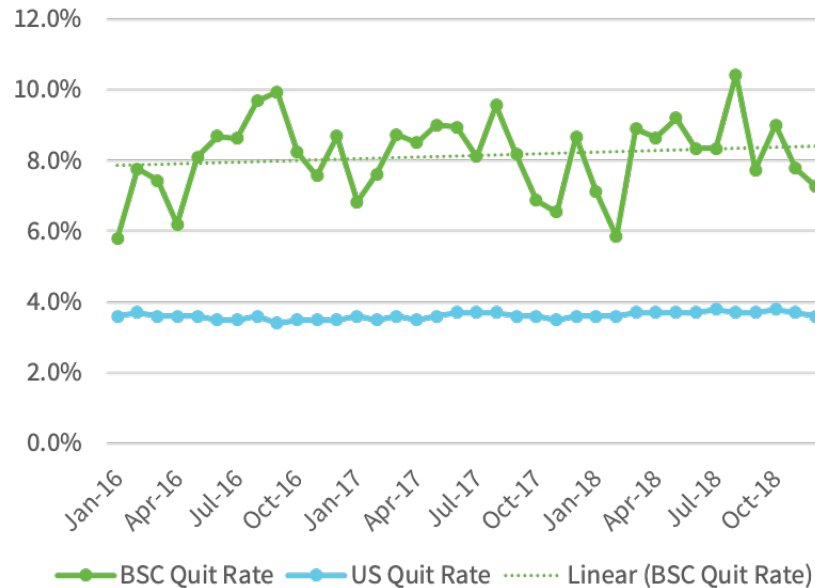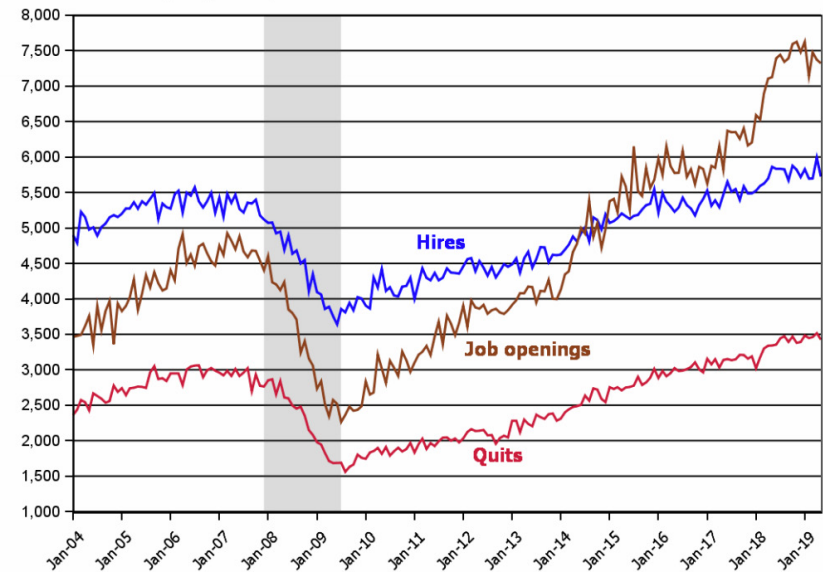
Chart 5. Job openings, hires, and quits
Seasonally adjusted, in thousands

Source: Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, July 9, 2019.

Note: Shaded area represents recession as determined by the National Bureau of Economic Research (NBER).

Chart: Job Openings, Hires and Quits - 2004-2019

Quit Rates: BSC vs. U.S.

Chart: Quit Rates: BSC vs. U.S. Labor - Jan. 2016-Oct. 2018
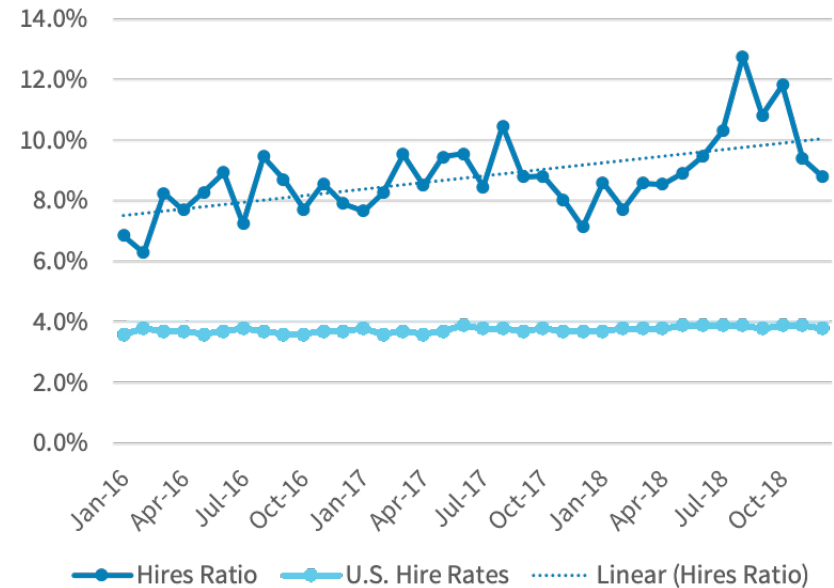
Hire Rates: BSC vs. U.S.

Chart: Hire Rates: BSC vs. U.S. Labor - Jan. 2016-Oct. 2018
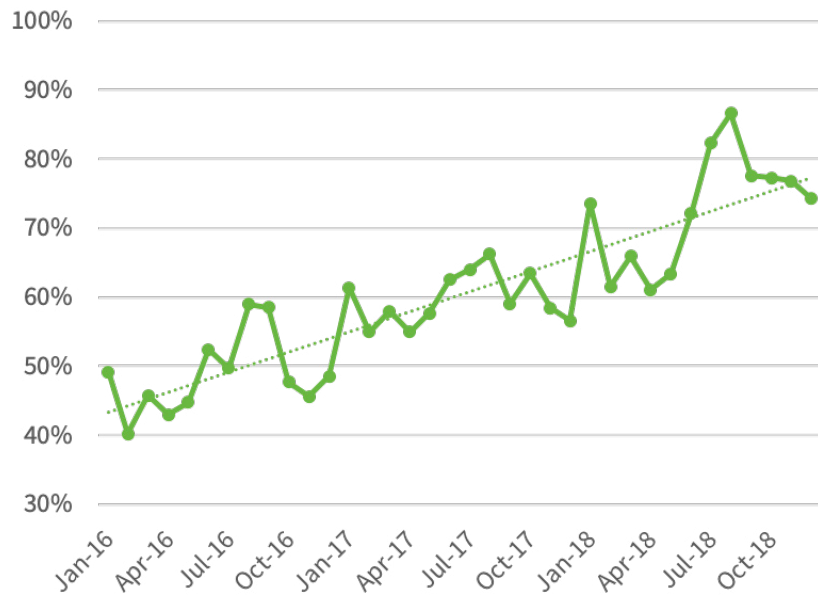
Applications/Active Employees

Chart: Applications as Percentage of Active Employees - Jan. 2016- Oct. 2018
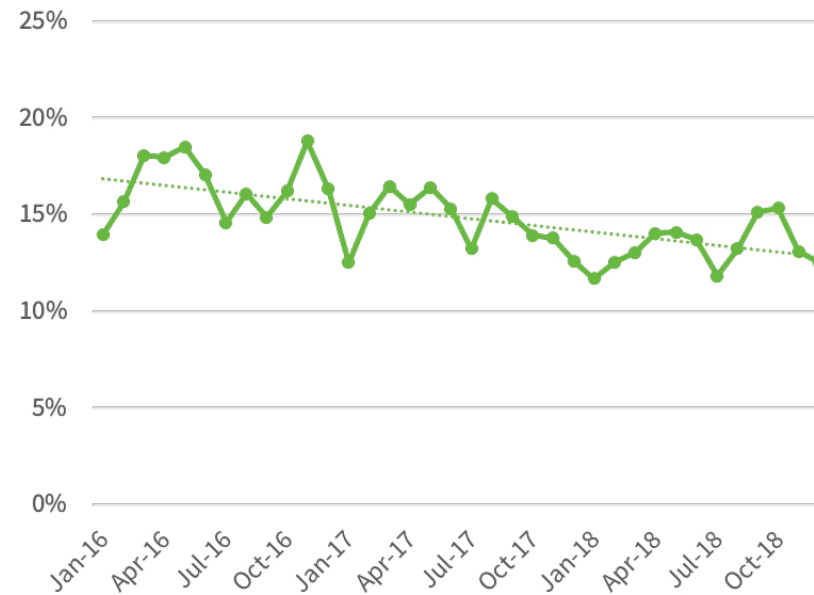
Hires/Applications

Chart: Monthly Hires as a Percentage of Applications - Jan. 2016- Oct. 2018

Since 2016, BSCs have seen applicant volume increase by 49 percent. Because of this increase, employers can be more selective. In 2016, BSCs hired 17 percent of all applicants and by the end of 2018, that number dropped to 13 percent.

Increased applications mean employers can be more selective in their hiring practice, and therefore, hire for fit and long-term retention.

Increases in applicants and hiring: Why is this happening?

One could argue the increase in number of hires and the increase in applicants are a result of a healthy job market and growth of BSCs. While both statements are true, there is another — often overlooked — reason: Nearly 60 percent of all candidates fail to maintain 30 days of employment after accepting the job offer, and this number is growing. That means, these applicants are back out in the job marketplace (likely) applying for janitorial jobs time and time again. So, essentially, this increase could reflect a sort of applicant recycling among open jobs.

While the janitorial industry is rapidly improving at creating high-volume hiring organizations, these organizations are not very effective. Retention is a key performance indicator for organizations and one of the first benchmarks for employee retention is simple: did they make it to 30 days on the job? So, even if your hiring process is streamlined because of the increased number of applications, if your new employee doesn't make it past the first 30 days, are you really doing a good job hiring?

The estimated minimum cost of hiring a new employee is $750. Improving this metric could be one of the greatest cost savings you could achieve in your organization.

Legend: ■ Never Worked ■ Separation by 30th Day ■ Total Lost

2016: 25.2% (Never Worked), 28.7% (Separation by 30th Day), 53.9% (Total Lost)

2017: 25.7% (Never Worked), 31.3% (Separation by 30th Day), 57.0% (Total Lost)

2018: 27.0% (Never Worked), 31.8% (Separation by 30th Day), 58.8% (Total Lost)

Ensure employees are happy in their first 30 days to increase long-term retention and reduce hiring costs.
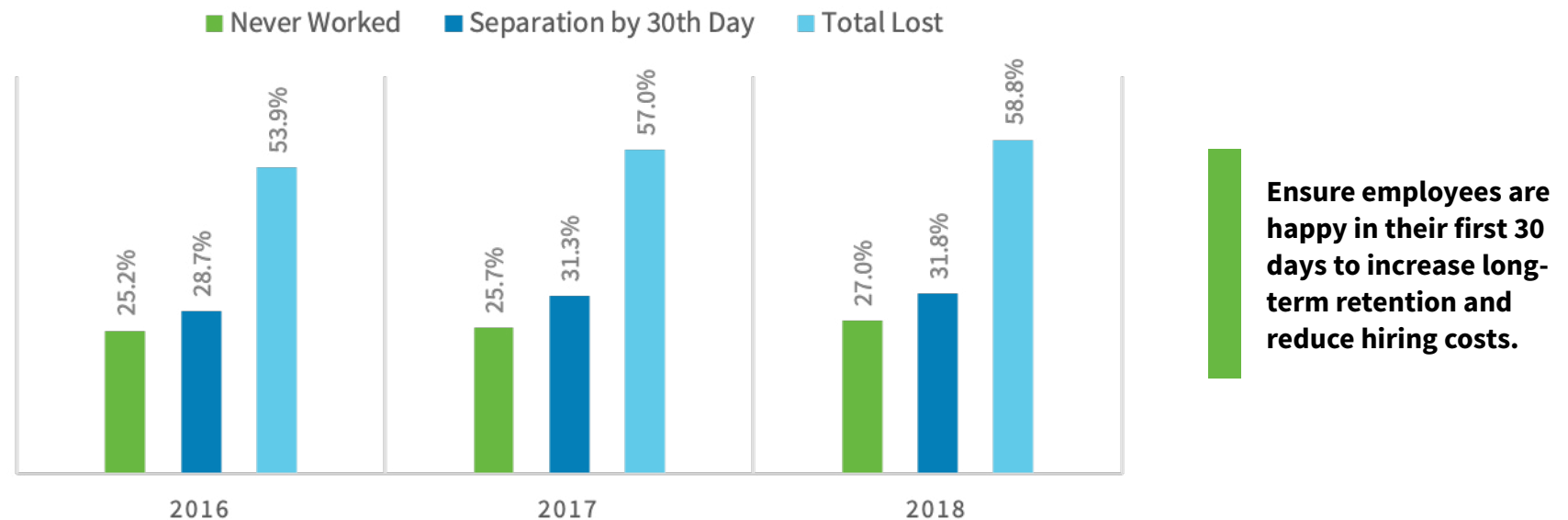
Chart: Accepted Job Offers that are Lost by Day 30 - 2016-2018

Annual Retention

There are many factors contributing to the high turnover and low retention of BSC employees — lower wages and physically taxing work to name a few.

And, while service industries consistently have higher turnover rates relative to other industries, we've identified a trend that could help make recruiting efforts more effective.

By default, most people look at retention rates for a static period, such as the number of employees hired in year 1 vs. number of employees retained in year 2. The problem with this kind of comparison is it doesn't account for the date of hire. For example, if you want to look at employee retention in 2018, you might start with who was employed in 2018 and who is still employed in 2019. However, in a high-turnover industry like janitorial, this metric can be skewed since it would include every new hire in the final number, regardless of whether they're hired January 31 or December 31. That's why you need to look at rolling retention rates, as shown below.
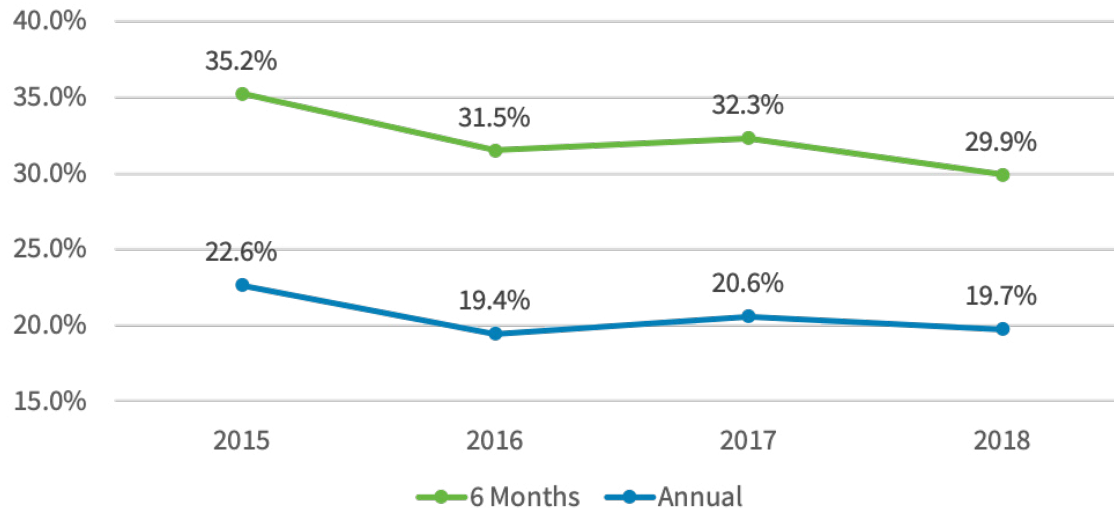
Rolling Retention Rates

Chart: New Hire Rolling Retention Rates 2015-2018

A rolling retention rate can be very difficult to obtain as this measurement requires extra data manipulation to achieve accurate results. But, analyzing retention rates by generation, can enable similar insight.

Generation Breakdown by Year

Silent
Born between 1928 and 1945

Boomers
Born between 1946 and 1964

Generation X
Born between 1965 and 1980

Generation Y (Millennial)
Born between 1981 and 1996

Generation Z
Born between 1997 and 2012

Source: Pew Research

Analyzing Retention by Generation

The janitorial industry largely mirrors the U.S. labor force in terms of how employees are distributed by generation. Generation Y, otherwise known as millennials, and Generation X represent two-thirds of all BSC employees.
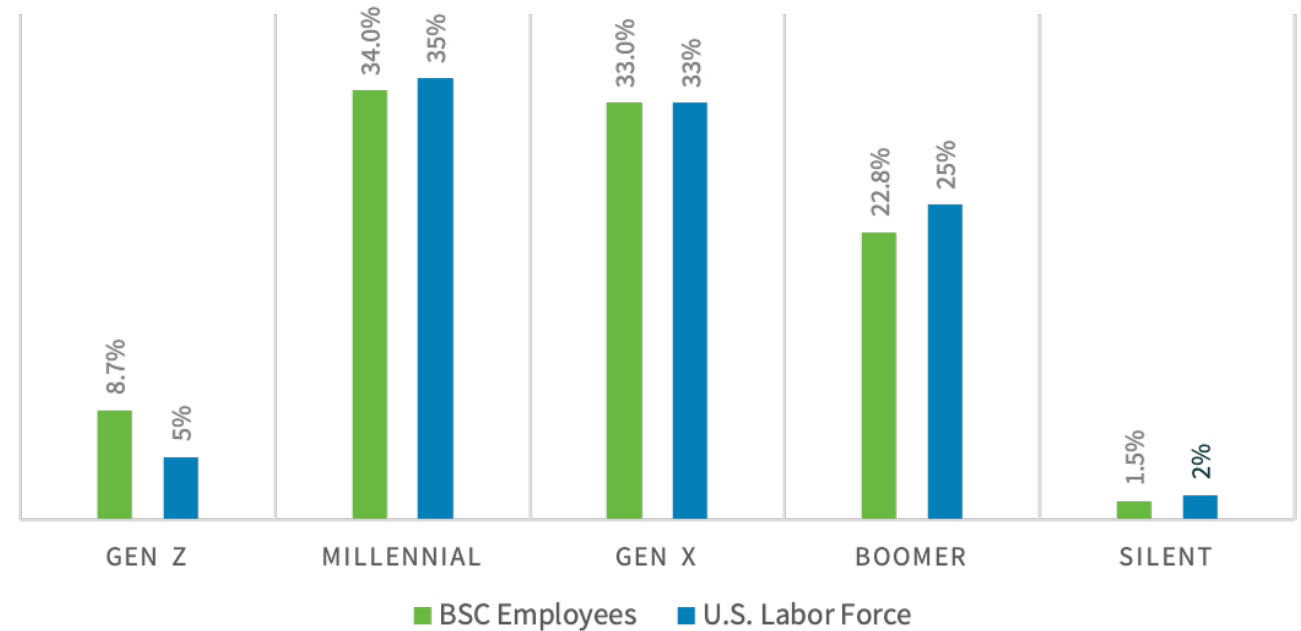

Chart: Current BSC Employees by Generation vs. U.S. Labor Force

	GEN Z	MILLENNIAL	GEN X	BOOMER	SILENT
BSC Employees	8.7%	34.0%	33.0%	22.8%	1.5%
U.S. Labor Force	5%	35%	33%	25%	2%

■ BSC Employees ■ U.S. Labor Force

Despite millennials and Gen Xers having equal numbers in terms of employees, 65 percent more millennials are hired than Gen Xers because they're quitting and starting new jobs more often.
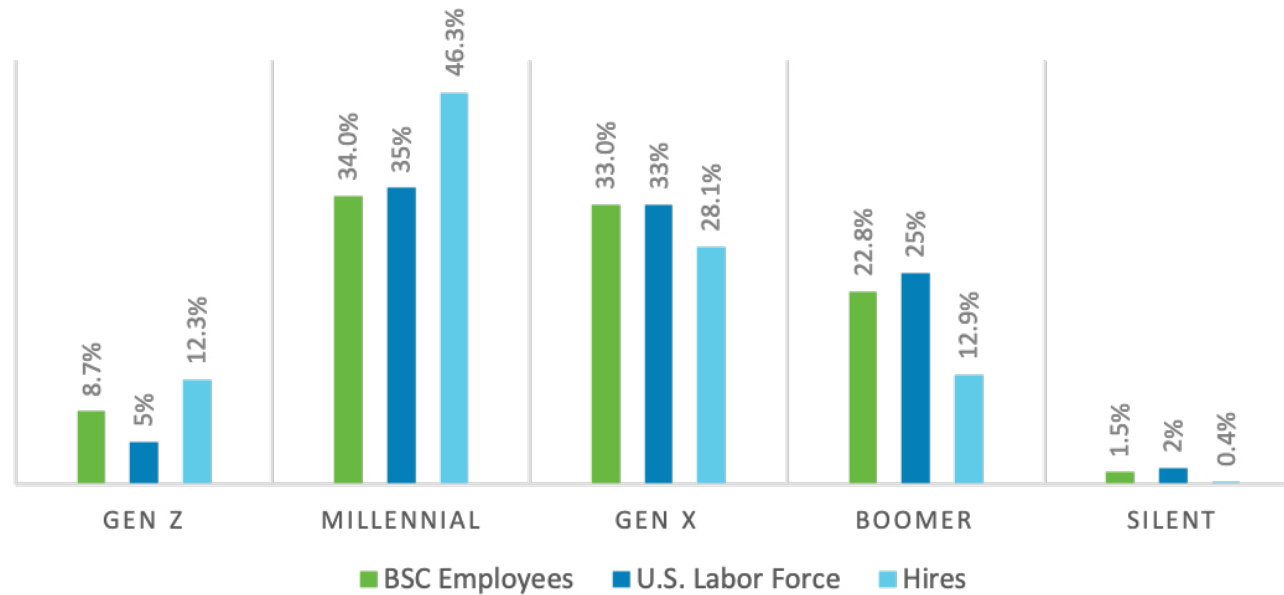

Chart: Current BSC Employees by Generation vs. U.S. Labor Force vs. Hires

Statistically speaking, baby boomers are 2.5 times more likely to work an entire year than millennials, but they're hired at a rate nearly four times less.

Fifteen years ago, this same trend is believed to have existed — Gen Xers would have had similar retention stats as millennials do today and baby boomers would have mimicked the stats of Gen Xers. And, it's theorized that in 2034, the retention stats for millennials will mirror those of the Gen Xers today. As workers age, their financial responsibilities increase and with that increased responsibility comes the need for stable employment regardless of the job description.

If you want to increase your retention and hire workers with more stability, you should look at hiring workers in the peak generation at the time.

Chart: Retention by Generation Since 2015

Dig Deeper into Retention Rates

Take the data from the "Employee by Generation with One or More Years on the Job" report and drill down further to identify area managers with high retention rates and compare to those managers with low retention rates. Then, look for ways to apply similar practices to those jobs who need help and increase the retention rates across your organization.
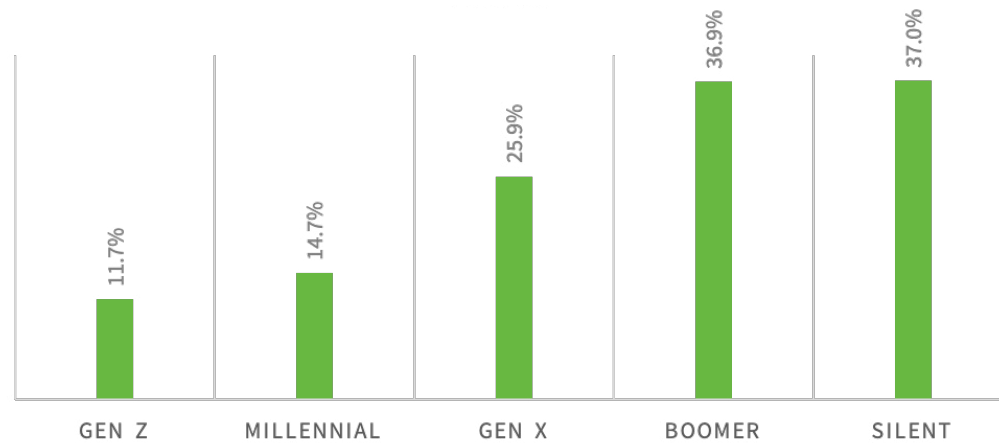
This is a complex rolling retention report where the numbers are rolling averages. While this report takes into account the hire date unlike a standard retention report and is a great report to review, it requires manual data massaging to get the information you want. And let's face it, most janitorial companies don't have excess hours to spend manipulating data.

That's where the Employee by Generation with One or More Years on the Job report can help. In this simple report, you can easily see where retention issues are hurting the most.

Measure retention by calculating the percentage of employees with one or more years on the job.
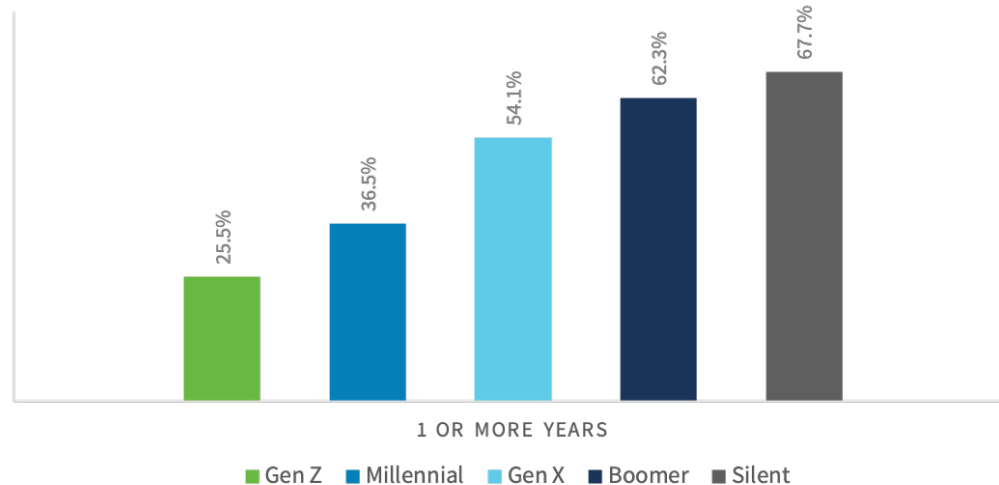
Chart: Employees by Generation with One or More Years on the Job

This metric is much easier to calculate quickly and accurately, and it can provide you with similarly meaningful data as a complex rolling retention rate report. If you're looking for an easy and quick way to measure your retention, this report is a good start.

Takeaways

Based on the metrics shown throughout this eBook, here are four key takeaways.

1. With more applications coming in, BSCs can be more selective in their hiring practice, and therefore, hire for fit and long-term retention.
2. Focusing on improving the first 30 days on the job for a new employee could make drastic improvements in hiring effectiveness.
3. If you want to increase your retention and hire workers with more stability, you should look at hiring workers in the peak generation at the time.
4. Measure retention by calculating the Employee by Generation with One or More Years on the Job. And then, drill down by each area manager to see who is doing well and who needs help.

Understanding how your business performs in relation to the janitorial industry and the overall labor market can help you identify areas of both strength and weakness. When you pair Kwantek's Applicant Tracking Software with TEAM's all-in-one financial, operations and workforce management solution, you have access to the complete picture of your workforce data, including metrics like those discussed in this eBook. Using that kind of data can drive smarter decision making and can help you improve your business.

About Kwantek

For the past 17 years, Kwantek has been helping businesses in high-turnover industries streamline their recruiting processes. Kwantek provides outreach programs to maximize applicant volume, screening tools to improve retention, and state-by-state procedures to ensure government compliance for companies hiring at high volume. For more information, visit kwantek.com.

About TEAM Software

TEAM Software develops financial, operations and workforce management solutions for contractors with distributed workforces of any size, with a focus on the building service and security industries. TEAM's efficiency-enhancing technology transforms business management and drives profitability. TEAM's industry-specific solutions range from a complete enterprise software ecosystem to a right-sized workforce management toolset that connect key components of customers' businesses. Founded in 1989, TEAM is an Omaha, Nebraska-based technology company with more than 400 customers all over North America. For more information, visit teamsoftware.com.