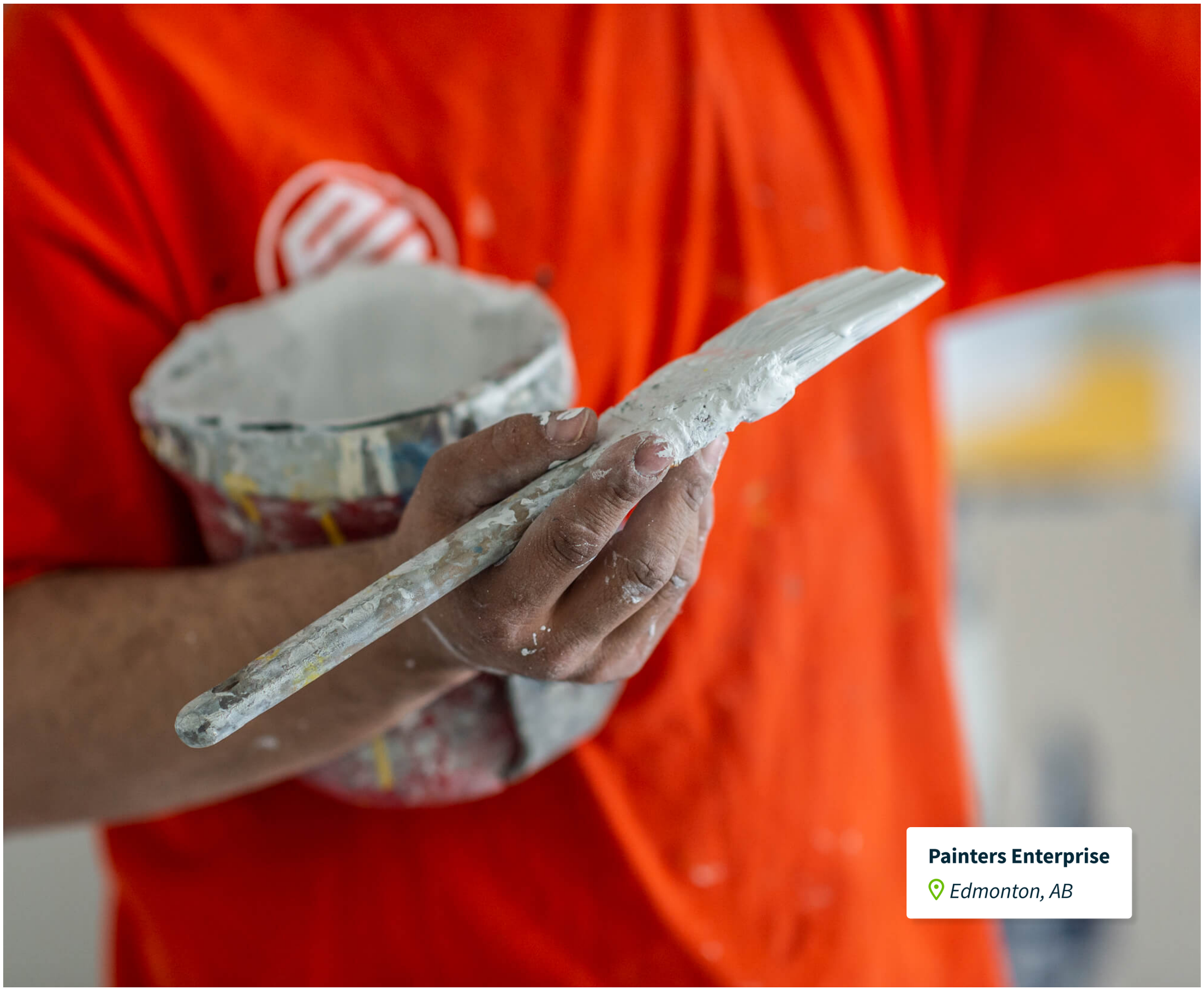
# HOME SERVICE ECONOMIC REPORT

**MID-YEAR REVIEW | AUGUST 2021**



# TABLE OF CONTENTS

# 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.*

The COVID-19 pandemic tested even the most established and profitable businesses. As the economy continues to recover, different categories are rebounding at different rates. One category that demonstrated its resilience and stability throughout 2020 and the first half of 2021 is Home Service.

This report analyzes a variety of trends that are impacting the Home Service category such as housing market dynamics, consumer demand, and unemployment. It also compares these dynamics with other major categories such as Grocery Stores, Clothing Stores, and Restaurants. In addition, there will be data shared about key Home Service segments such as Cleaning, Green, and Contracting businesses, with a special highlight on the construction industry.

To more appropriately describe the growth experienced this year, we have introduced a new concept of Compounded Annualized Growth 2019-2021 (CAG), represented as a dotted line in the charts below. The CAG measure normalizes the drastic changes we see in the March to May data as a result of the COVID-19 pandemic, while providing a new and unique perspective.

# Takeaways

- The sale of new and existing homes reached record levels in the second half of 2020 and into Q1 of 2021.
- Annual growth in home renovation and repair expenditure reached 6.1% year-over-year growth in Q2 2021 and is expected to grow by 7.6% by the end of 2021.
- Both new work scheduled and median revenue are seeing positive growth throughout 2021, a trend we believe will continue as we enter the second half of 2021.
- The Cleaning and Contracting segments have both recovered well, seeing positive year-over-year growth in both new work scheduled and median revenue throughout 2021.
- New work scheduled in the Green segment slowed in Q2 but is heading back in the right direction while median revenue growth remained remarkably consistent and positive throughout the first half of the year.
- Consumer spending on Home Service recovered faster than all other categories and has exceeded pre-pandemic levels from June 2020 onwards.
- The recovery rate for unemployment in Home Service is better than most other categories.
- The ratio of hires to job openings has decreased significantly, suggesting that there is a desire to hire workers in many major industries, but a lot of positions are left unfilled.
- Contractors are getting more job requests than they're able to fulfill, leading to mixed results for the construction industry.
- Average wait time for the overall construction industry to start a project is up by almost 4 weeks in Q2 2021 compared with the same period last year.
- The median contracting invoice size grew by 14% in Q2 2021 compared to the pre-pandemic levels of Q1 2020.

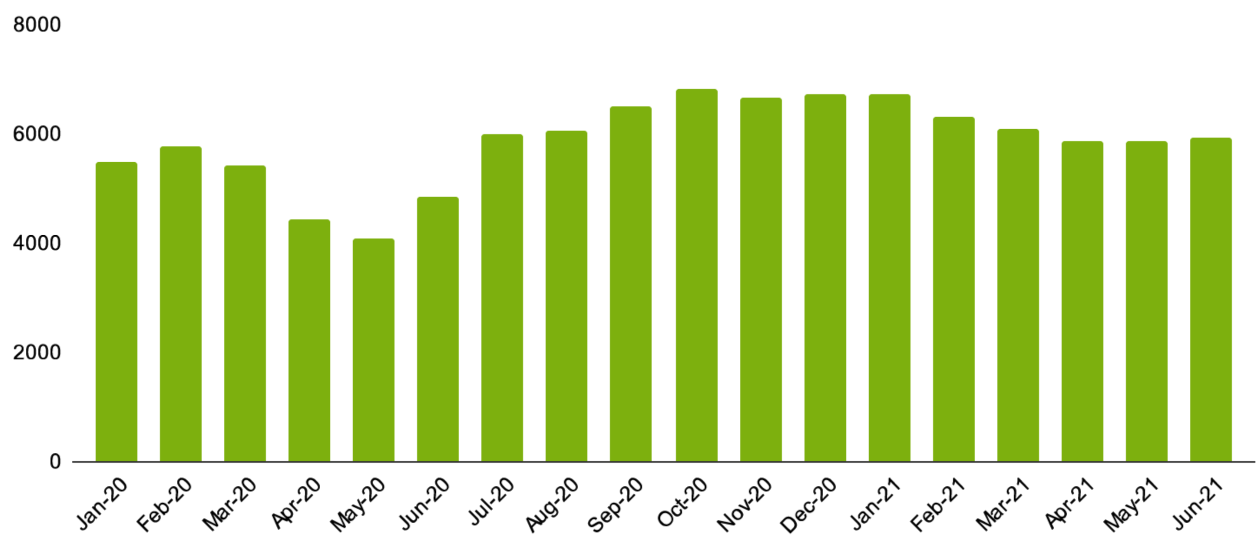
# Home Service Category Performance

## 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 increasing demand for home services. Although experiencing a decline in April-June 2020 when the COVID-19 pandemic hit, the sale of new and existing homes recovered very quickly, reaching record levels in the second half of 2020 and into Q1 of 2021. In Q2, sales dropped slightly, but still remained very healthy.[2]

> ***TAKEAWAY***
>
> ***The sale of new and existing homes reached record levels in the second half of 2020 and into Q1 of 2021.***

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

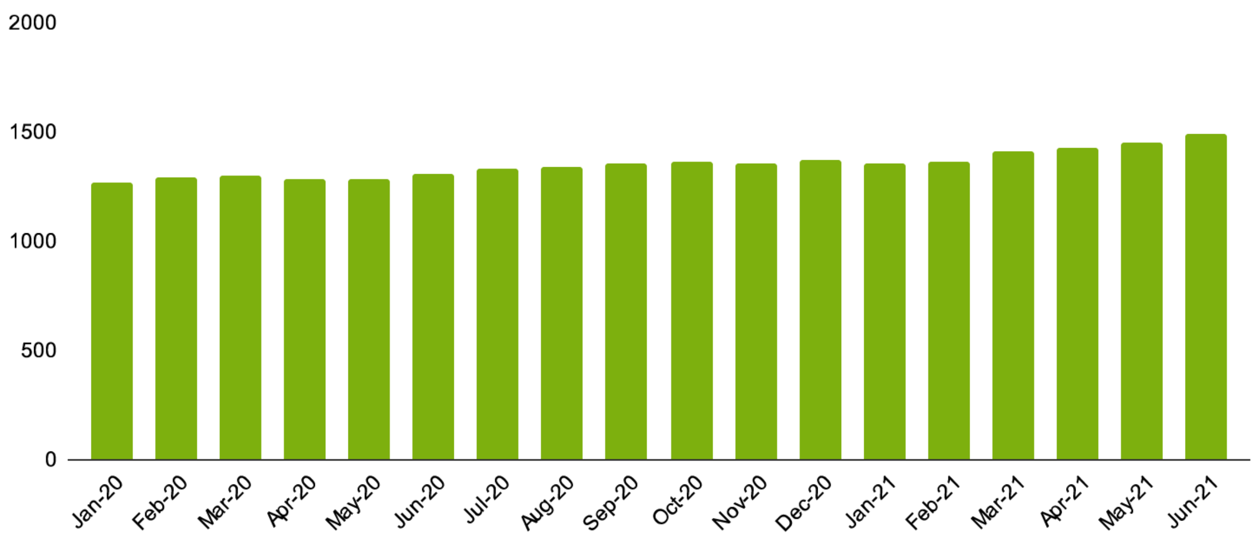



In addition to the growth in new and previously owned units sold, the data shows healthy growth in units built and under construction. Related to this metric is the growth of new permits issued throughout the second half of 2020 and into 2021.[2]

*TAKEAWAY*

**There is healthy growth in the number of built residential homes that are under construction.**

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

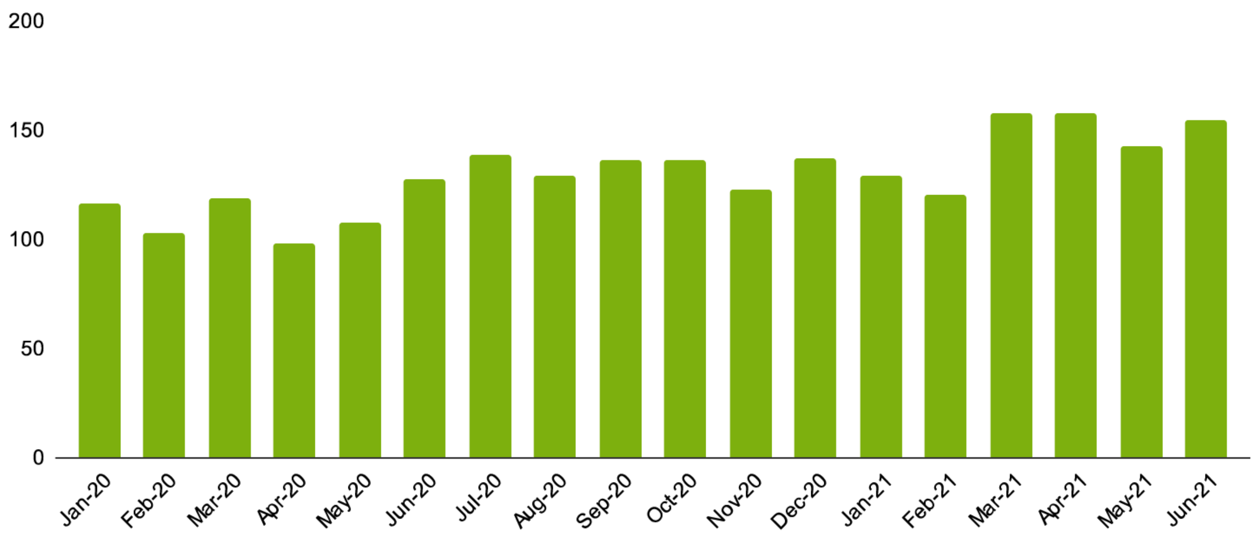



The home remodelling market is booming and is stronger than pre-pandemic levels. According to the Leading Indicator of Remodeling Activity (LIRA) released by the Joint Center for Housing Studies of Harvard University, the annual growth in home renovation and repair expenditure reached 6.1% year-over-year growth in Q2 2021 and is expected to grow by 7.6% by the end of 2021.[3] The data shows healthy growth in new permits issued throughout the second half of 2020 and into 2021.[2] The trend is shifting from DIY home improvements to professional renovations, as more homeowners feel comfortable inviting contractors back into their homes.

*TAKEAWAY*

**There is significant growth in new building permits issued throughout the second half of 2020 and into 2021.**

**New Privately-Owned Residential Building Permits Issued ('000s)**



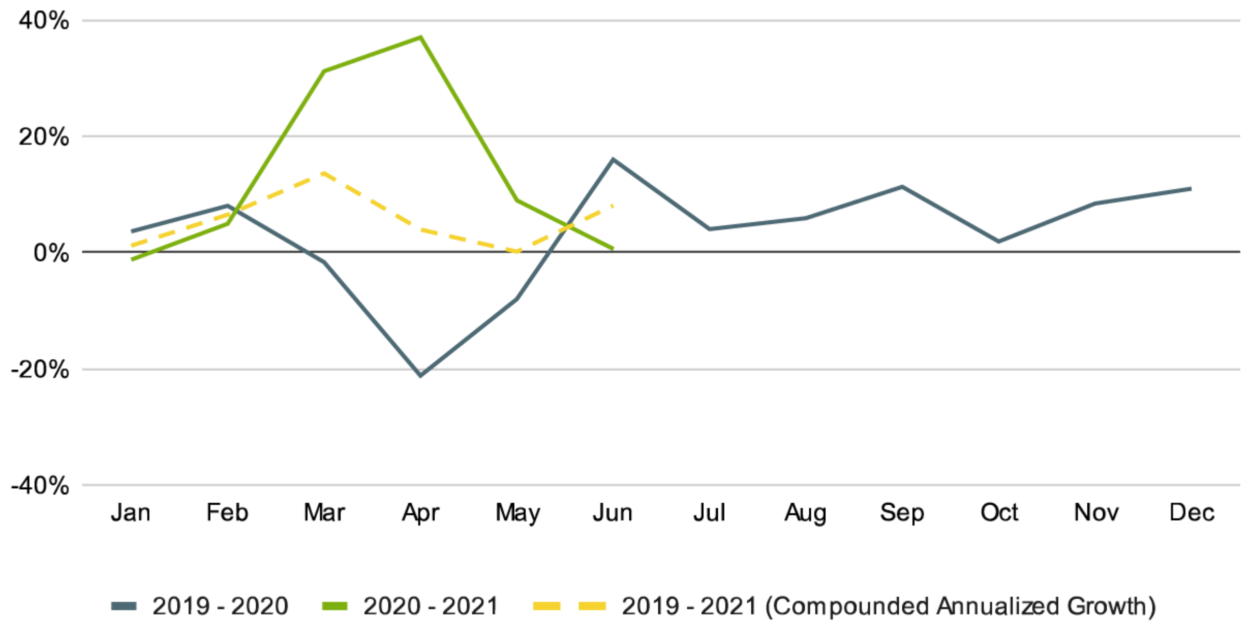

## Consumer Demand & Revenue Growth

The Home Service category has shown very healthy growth throughout 2021. New work being scheduled is an early indicator of the health of Home Service businesses, and a proxy for consumer demand. Both new work scheduled and median revenue are seeing positive growth throughout 2021; the revenue growth is especially impressive as it's now four quarters of impressive growth stringed together.

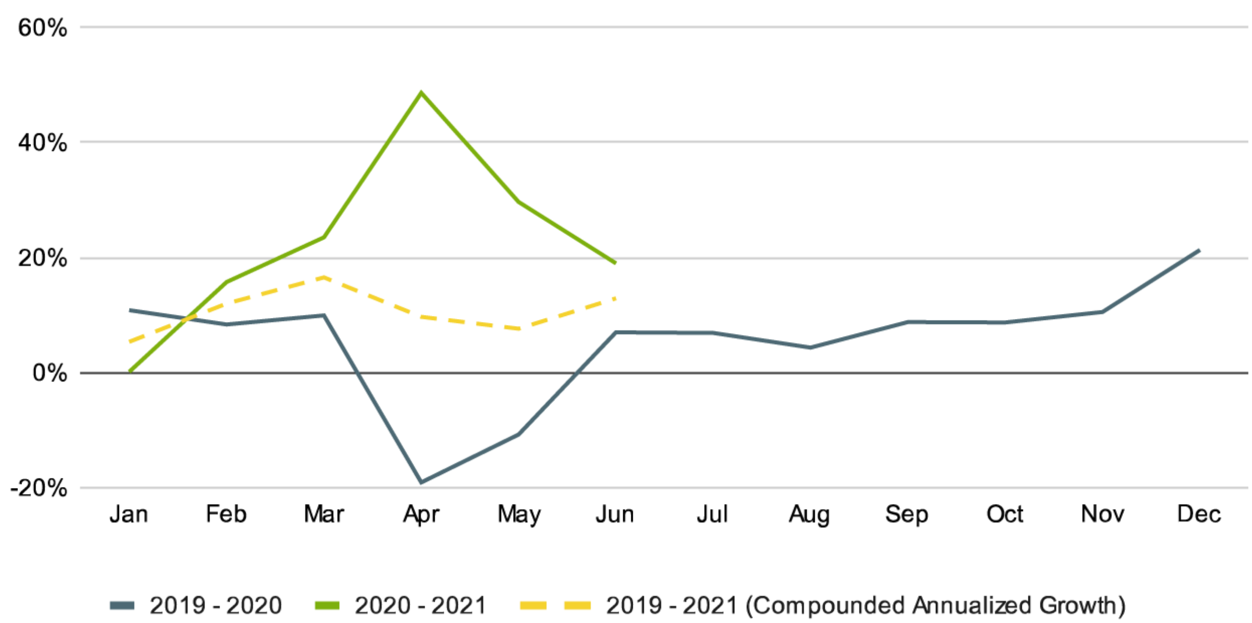
To analyze the growth in 2021 without seeing unnaturally high numbers from March to June, due to the first wave of the pandemic, the 2021 monthly data has been measured and visualized as compounded growth from two years prior in 2019. This shows that growth has slowed down slightly compared to the very high rate in Q4 2020, but still remains positive. This way of looking at the 2021 data is used throughout the report to normalize for unnatural year-over-year swings.[4]

> ***TAKEAWAY***
>
> ***New work scheduled and median revenue are seeing positive growth throughout 2021.***

**New Work Scheduled YoY**




**Median Revenue YoY**

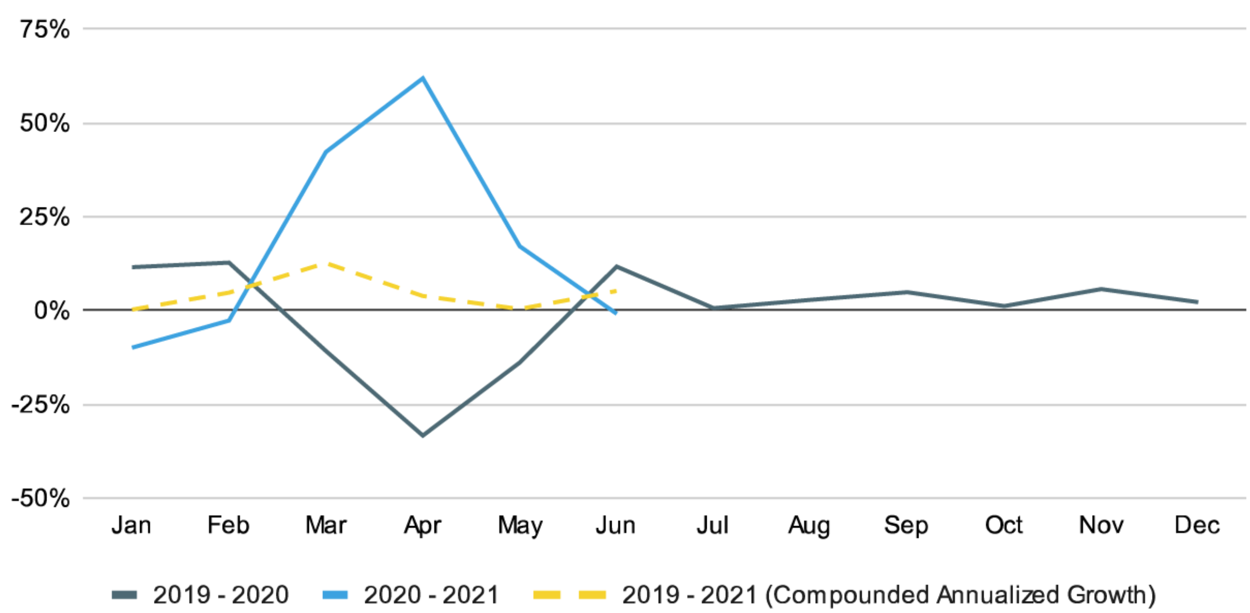


Since the Home Service category consists of a large range of industries, it's useful to segment the data to better understand trends within different sections of this category. To do so, we split the data into three segments: Cleaning, Green, and Contracting businesses. The Cleaning segment consists 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 more.

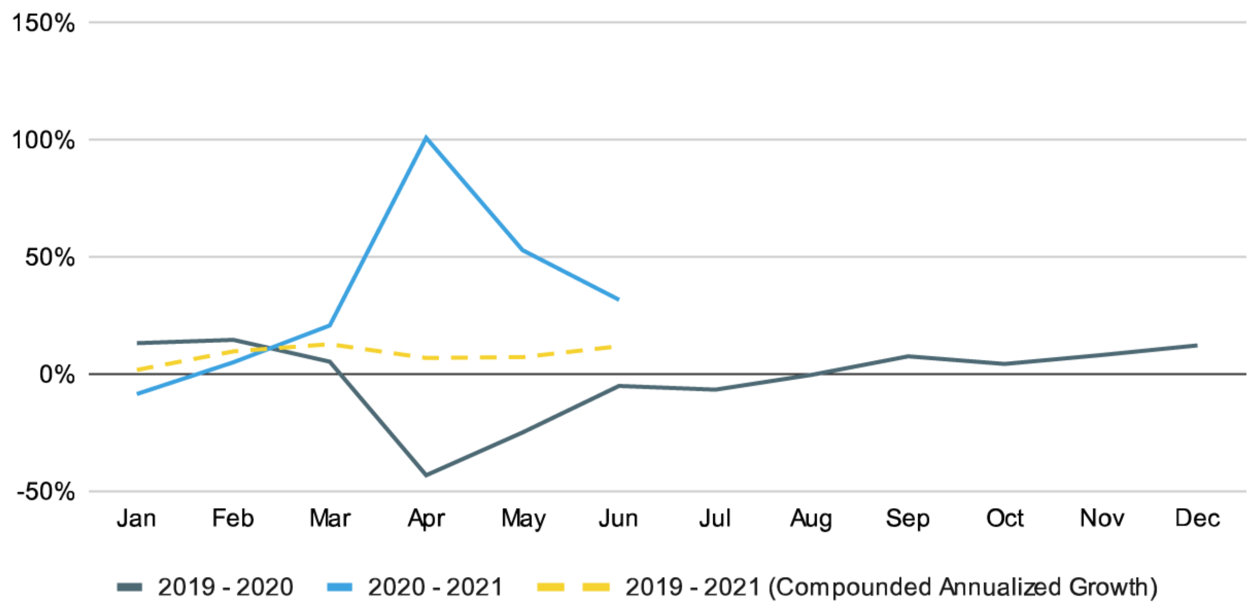
## Cleaning

The Cleaning segment has recovered well from the lows of Q2 2020, and the growth in Q2 2021 is primarily driven by the rise in contract jobs, which have seen a 16% CAG from 2019 to 2021. Although Cleaning started off slow in January 2021, it has seen healthy growth throughout the year as cases have dropped, restrictions are lifted, and both homes and businesses are opening up to cleaners.[4]

**New Work Scheduled YoY - Cleaning**



**Median Revenue YoY - Cleaning**

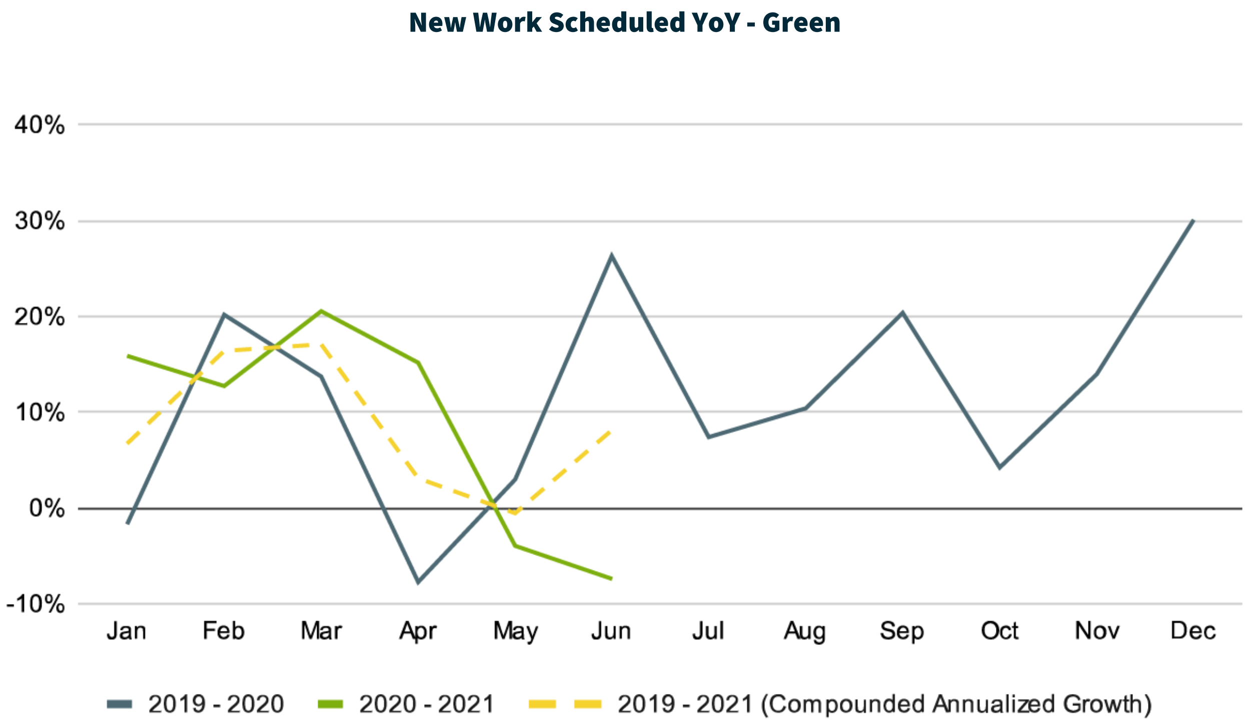



## Green

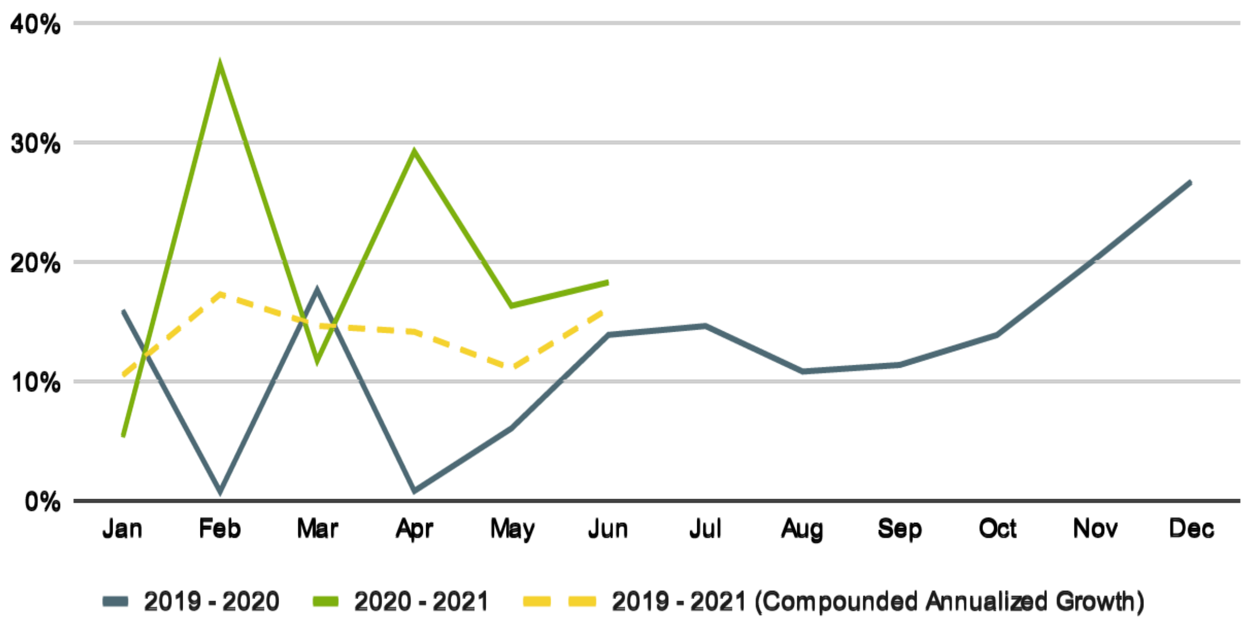
Businesses in the Green segment are often seasonal, and perform a lot of their work in the spring season. While some industries within Green have low barriers to entry similar to residential cleaning, services such as tree care require specialization and have tight regulations.

> ***TAKEAWAY***
>
> ***New work scheduled in the Green segment slowed in Q2 but seems to be heading back in the right direction, while median revenue growth remained remarkably consistent and positive throughout the first half of the year.***

This segment was not as impacted by the pandemic last year, and actually saw extremely high growth in the second half of the year. Except for a couple of months, new work scheduled in the Green segment has seen consistent positive growth throughout 2020, and remained positive in Q1 2021. This past quarter has seen a slowdown in this trend, but seems to be heading back in the right direction in June. Median revenue growth, on the other hand, remained remarkably consistent and positive throughout the first half of the year.[4]



**Median Revenue YoY - Green**



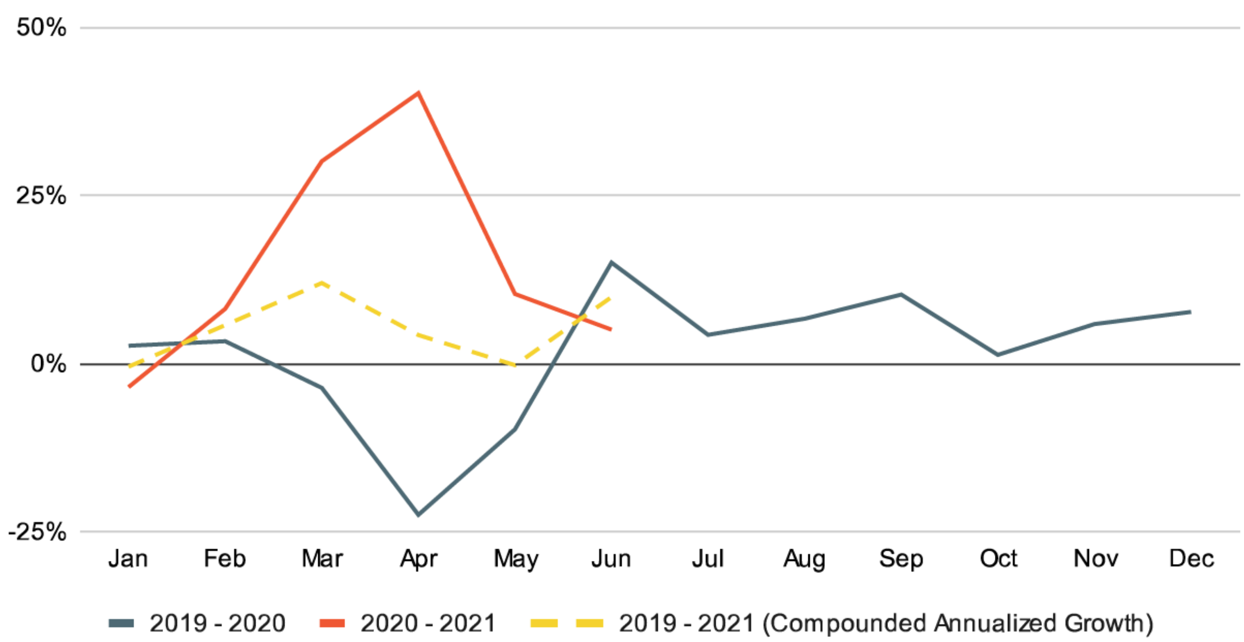

## Contracting

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.

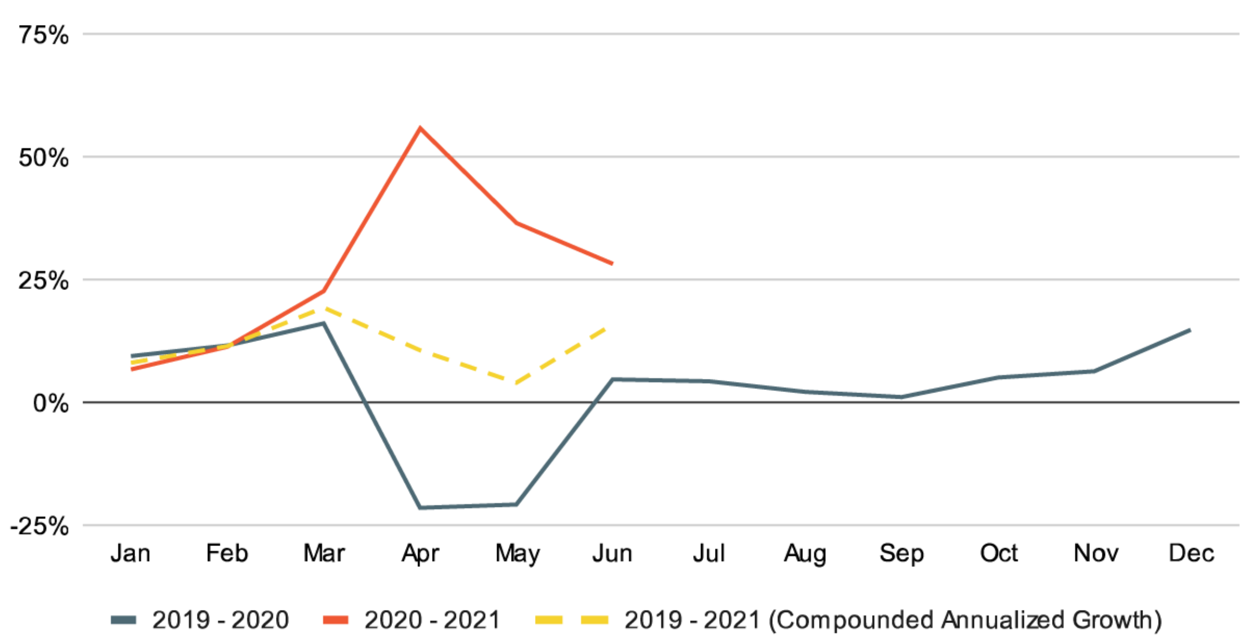
Similar to Cleaning, Contracting was significantly affected by the first wave of the pandemic last year, but this segment rebounded much faster. It ended 2020 on a high note, and that high growth trend has continued into this year. Both new work scheduled and median revenue have ended Q2 on a healthy note, so things are looking positive for this segment for next quarter.[4]

> ***TAKEAWAY***
>
> ***The Cleaning and Contracting segments have both recovered well, seeing positive year-over-year growth in both new work scheduled and median revenue throughout 2021.***

### New Work Scheduled YoY - Contracting




### Median Revenue YoY - Contracting



# Home Service Compared to Other Categories

## Revenue Growth

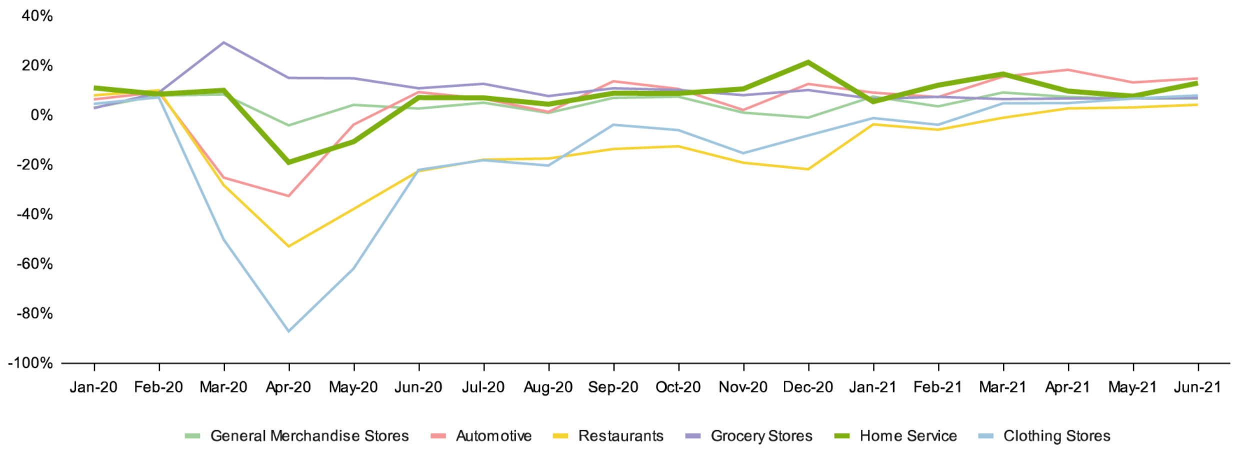
The U.S. Census Bureau data reveals that many major categories started 2020 with similar levels of growth until the COVID-19 pandemic hit. Unsurprisingly, Restaurants and Clothing Stores were impacted the most in 2020 due to indoor dining and brick-and-mortar retail closures, whereas Grocery Stores and General Merchandise Stores growth remained stable.[5]

> ***TAKEAWAY***
>
> ***Revenue growth in Home Service rebounded to pre-pandemic levels by June 2020 and has been steadily positive ever since, while some other categories have not yet stabilized.***

After experiencing a decline in April 2020, Home Service rebounded to pre-pandemic levels by June 2020 and has been steadily on the upward trajectory ever since. We expect positive growth to continue throughout the second half of the year.

Like the section above, the data below uses Compounded Annualized Monthly Growth 2019-2021 to more accurately illustrate the growth experienced this year, which has looked positive for all categories so far. After diverging from the norm throughout 2020, the different categories seem to be converging. In the coming quarters, we will be able to see which categories are fully stabilized, while others may show signs of a more permanent impact from the pandemic closures.

Category Revenue Comparison - Compounded Annualized Monthly Growth Compared to 2019




## Consumer Demand

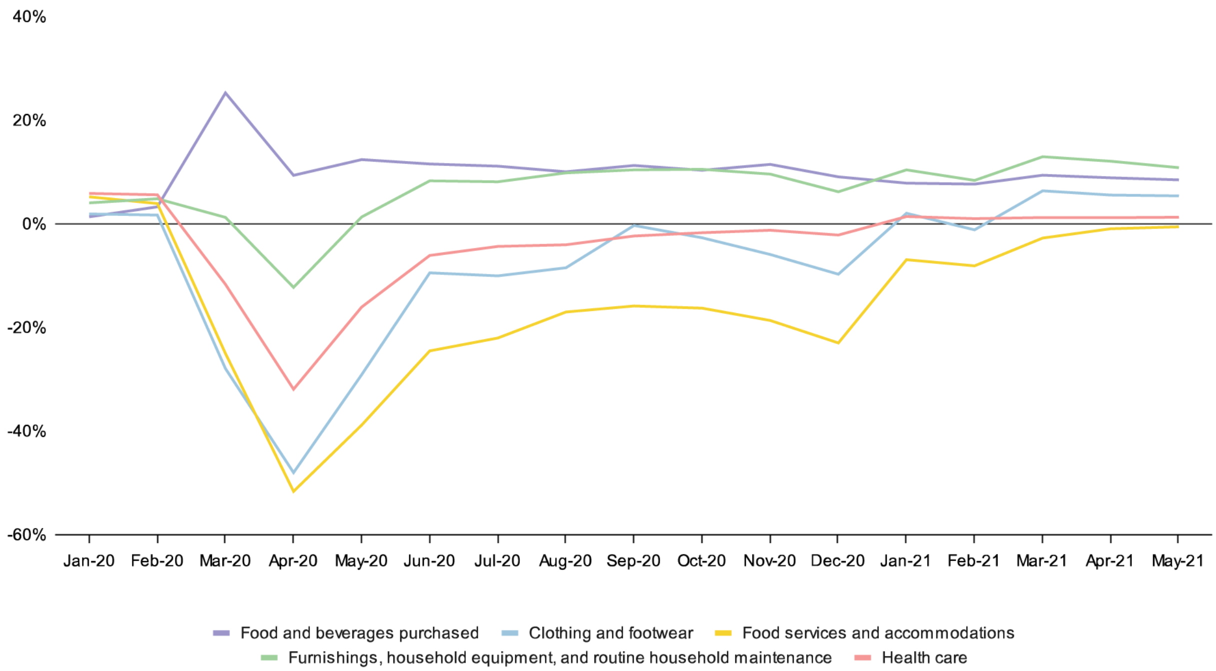
Data from the U.S. Bureau of Economic Analysis has been used to evaluate consumer spending across several categories. Although there's no specific expenditure type that directly aligns with Home Service spending as a whole, furnishings, household equipment, and routine household maintenance is a category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

> ***TAKEAWAY***
>
> ***Consumer spending on Home Service recovered faster than all other categories and has exceeded pre-pandemic levels from June 2020 onwards.***

In early 2020, all expenditure types were seeing positive growth. The pandemic introduced volatility in consumer demand starting March 2020, similar to the trends we've seen in revenue growth. Essential goods and services saw an increase in demand while everything else declined. The trend began to reverse in May 2020, with a slow recovery throughout the rest of the year. In 2021, the categories seem to be continuing their way back to pre-pandemic levels, though showing some signs of stagnation.

Spending on Home Service recovered faster than all other categories in 2020. In fact, from June 2020 onwards, spending in this category has exceeded pre-pandemic levels and continued to look very healthy for an entire year since then.[6]

**Consumer Spending Category Comparison -**
**Compounded Annualized Monthly Growth Compared to 2019**

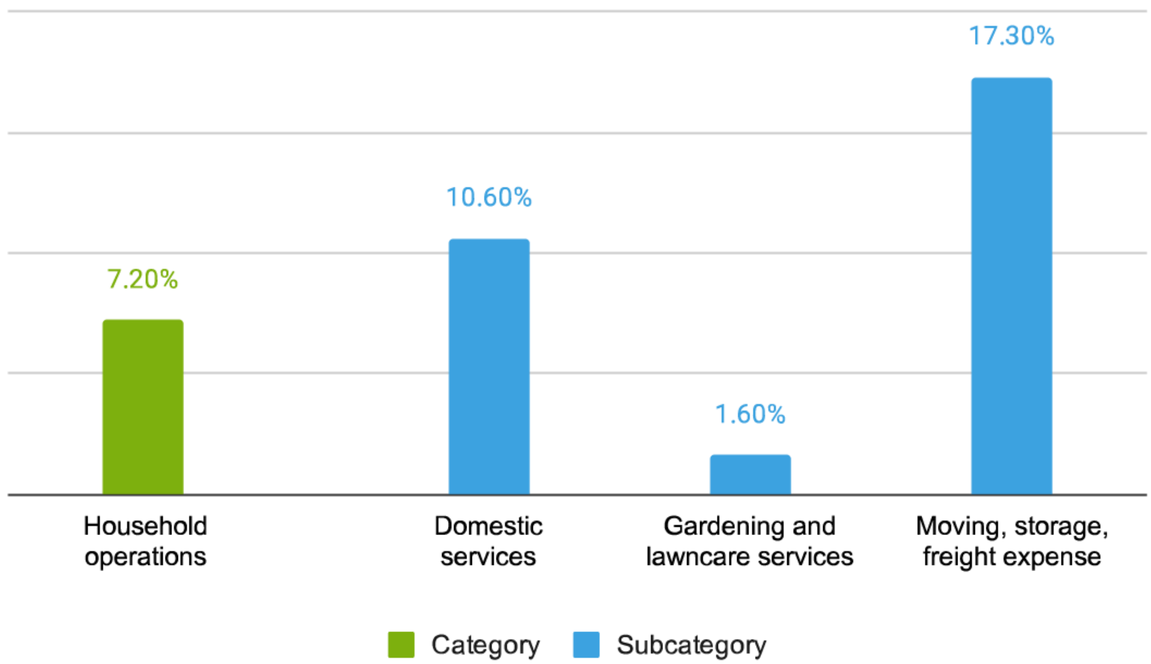



The rise in consumer demand has contributed to inflation across the board. According to the U.S. Bureau of Labor Statistics, the 12-month change in Consumer Price Index (CPI) overall is 5.4%. The household operations category represents 0.91% of total CPI weights and has a 7.2% increase in the last 12 months.

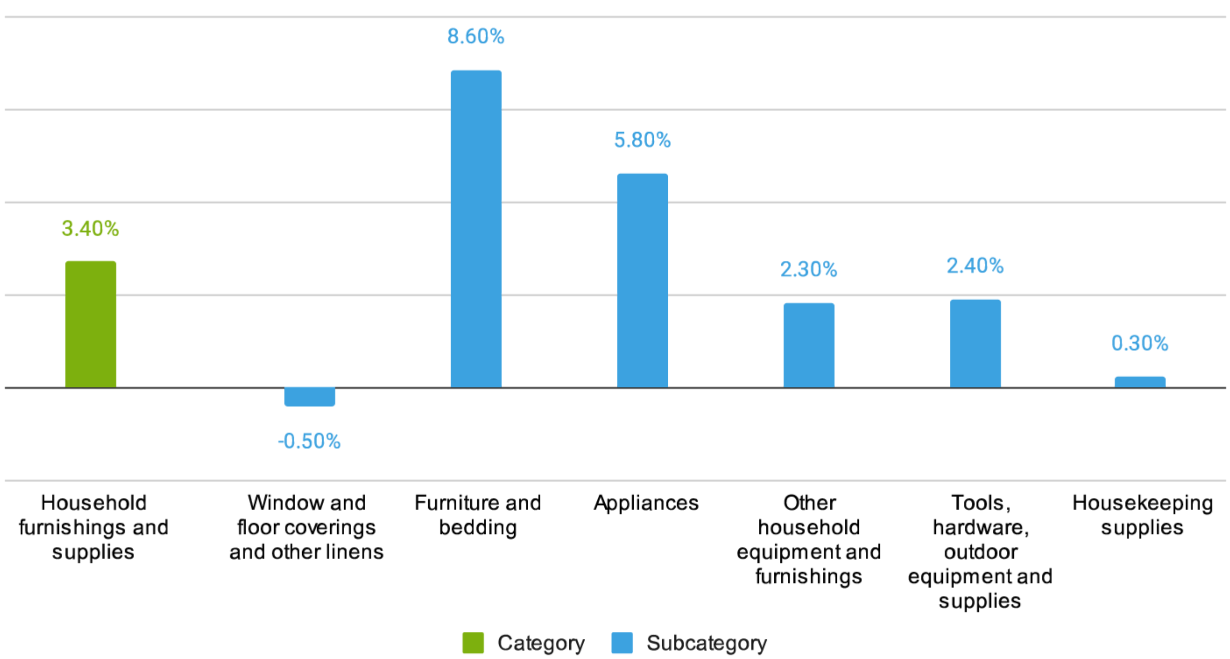
Domestic services, which has seen a 10.6% increase, is one of the major subcategories of this group. It is the employment of hired workers by private households for the performance of tasks such as housecleaning, cooking, child care, and personal service. On the other side, household furnishings and supplies (floor coverings, appliances etc.) had a 3.4% increase. So both labor costs and material costs experienced inflation during the past year.[7]

> ***TAKEAWAY***
>
> ***The rise in consumer demand has contributed to inflation across the board.***

### YoY Change in Consumer Price Index of Household Operations and its Subcategories, June 2021




### YoY Change in Consumer Price Index of Household Furnishings and Supplies and its Subcategories, June 2021



## Employment

After a drastic increase during the first wave of the pandemic, the U.S. unemployment rate has been recovering since June 2020. In this past quarter, the rate has improved to better than 6% in May and June 2021.

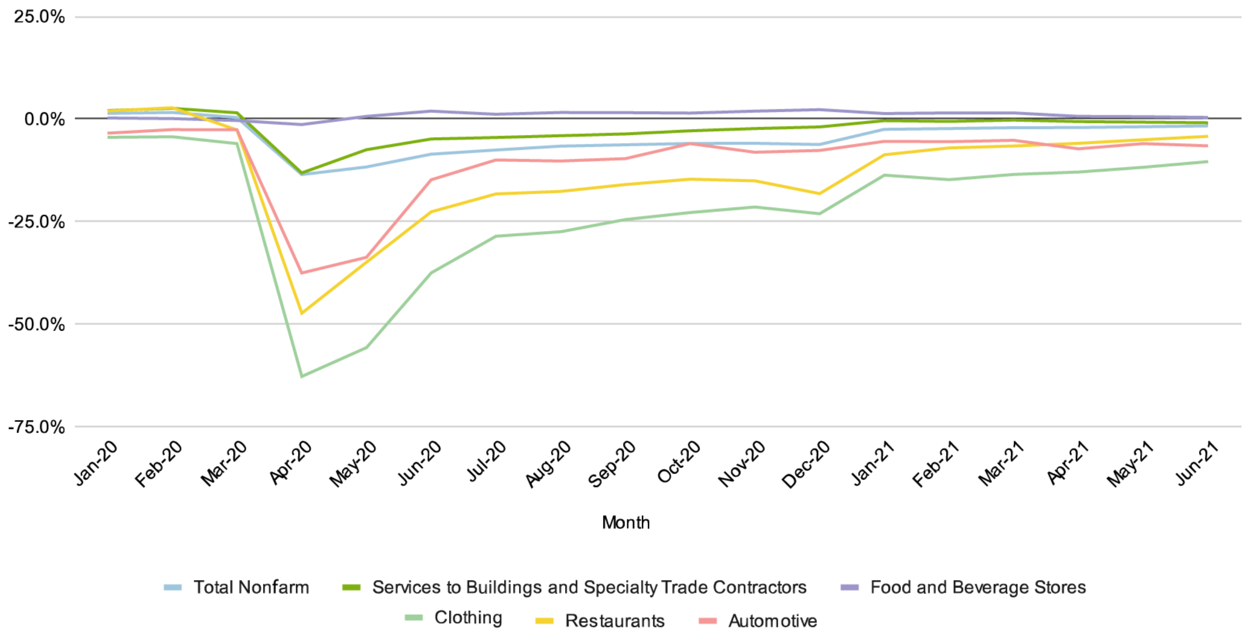
To assess employment in the Home Service category, we look at how it compares to Total Nonfarm employment; all employment excluding farm workers, private household employees, and non-profit organizations. Though the Home Service category spans a wide range of industries, two North American Industry Classification 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.[8]

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.

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 in 2021. Towards the end of this last quarter, the growth rates seem to be converging.

> ***TAKEAWAY***
>
> ***In this past quarter, the U.S. unemployment rate has improved to greater than 6% in May and June 2021; the recovery rate for Home Service is better than other categories.***

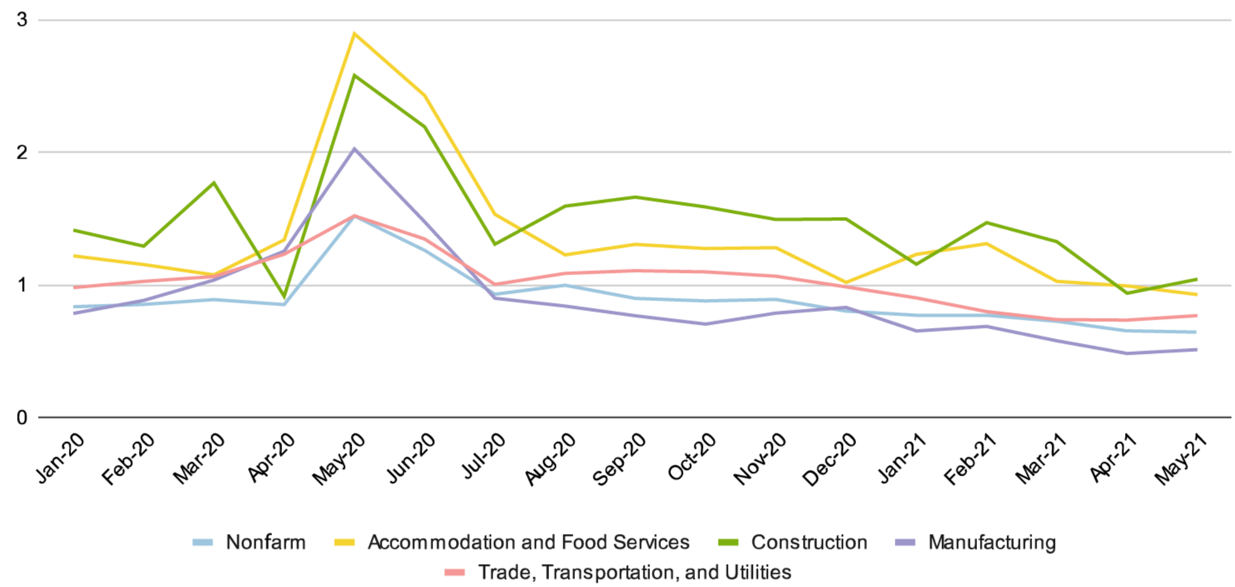
### Employment - Compounded Annualized Monthly Growth Compared to 2019




While millions of Americans are looking for work, PeopleReady found that the demand for skilled trade jobs is far outpacing the supply of qualified workers to fill them.[9] 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. The ratio of hires to job openings has decreased significantly, suggesting that there is a desire to hire workers in many major industries, but a lot of positions are left unfilled.[8]

> ***TAKEAWAY***
>
> ***The ratio of hires to job openings has decreased significantly, suggesting that there is a desire to hire workers in many major industries, but a lot of positions are left unfilled.***

## Ratio of Hires to Job Openings

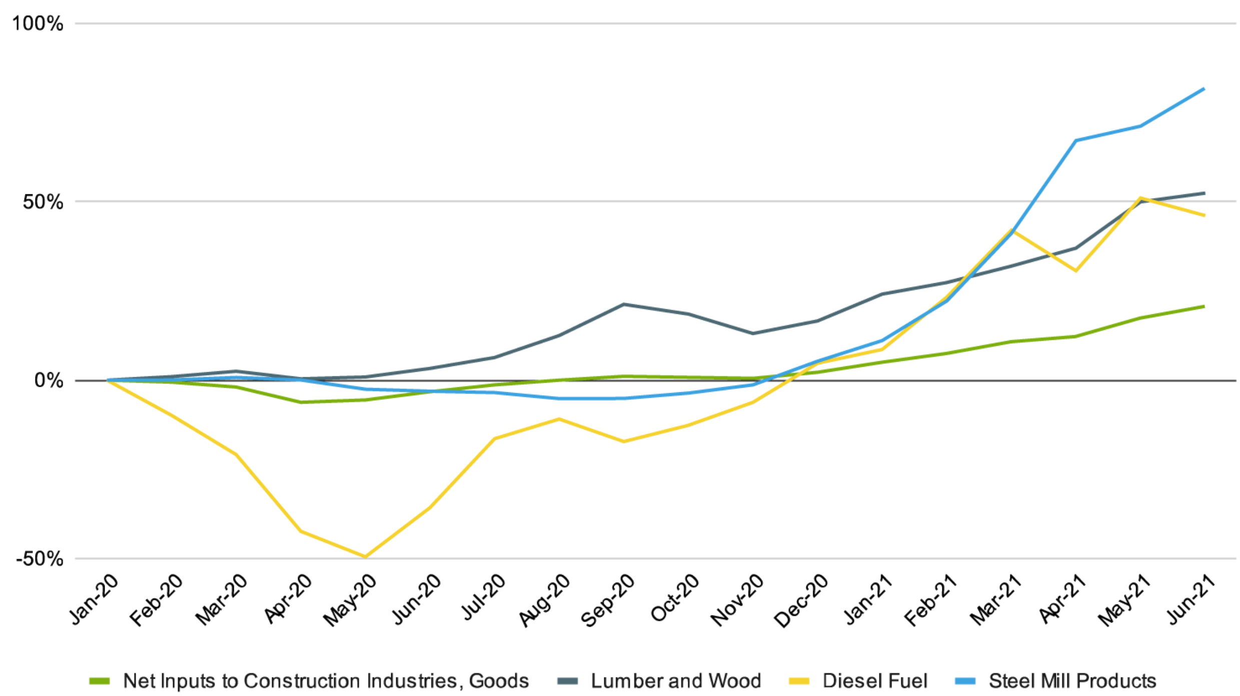


# Industry Highlight: Construction

As mentioned earlier, the housing market has been seeing elevated demand since mid 2020. That combined with pandemic-related supply chain issues has created some interesting dynamics in the construction industry.

Due to the increased demand for home improvements, these supply chain issues in both manufacturing and logistics have resulted in various operating challenges for companies. In addition to labor shortages, producer price index (PPI) for net input to construction industries (goods) have soared as a result of scarcity in the face of increased demand. The PPI for Lumber and Wood soared 50% by June 2021 compared to January 2020, while PPI for Steel Mill Products increased by 82% during the same period. Diesel, which experienced a 50% decline compared to Jan 2020 in May 2020, observed a complete shift and increased by 46% compared to Jan 2020.[10]

**Change in PPI for Construction Commodities Compared to Jan 2020**

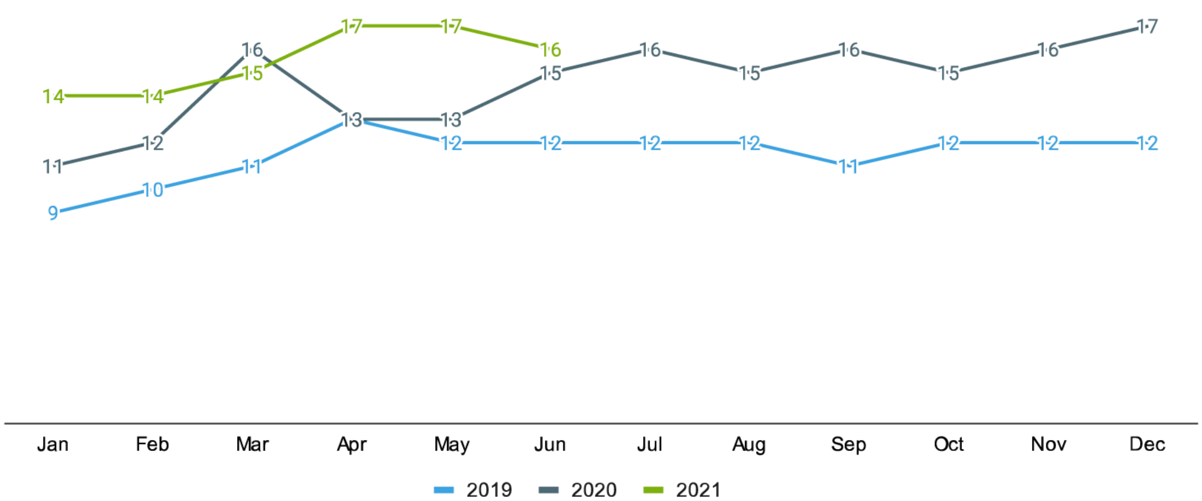


***TAKEAWAY***

## *Pandemic-related supply chain issues and a boom in home improvements projects have severely impacted the construction industry.*

The incongruity between supply and demand has caused delays in construction. External data indicates that the average wait time for the overall construction industry to start a project is up by almost four weeks in Q2 2021 compared with the same period last year.[11] We have observed similar trends in our proprietary data. According to our data, the average job lead times are at an all time high and up by four days in Q2 2021 compared with the same period last year. Service providers are getting more job requests than they're able to fulfill.[4]

**Average Job Lead Times**



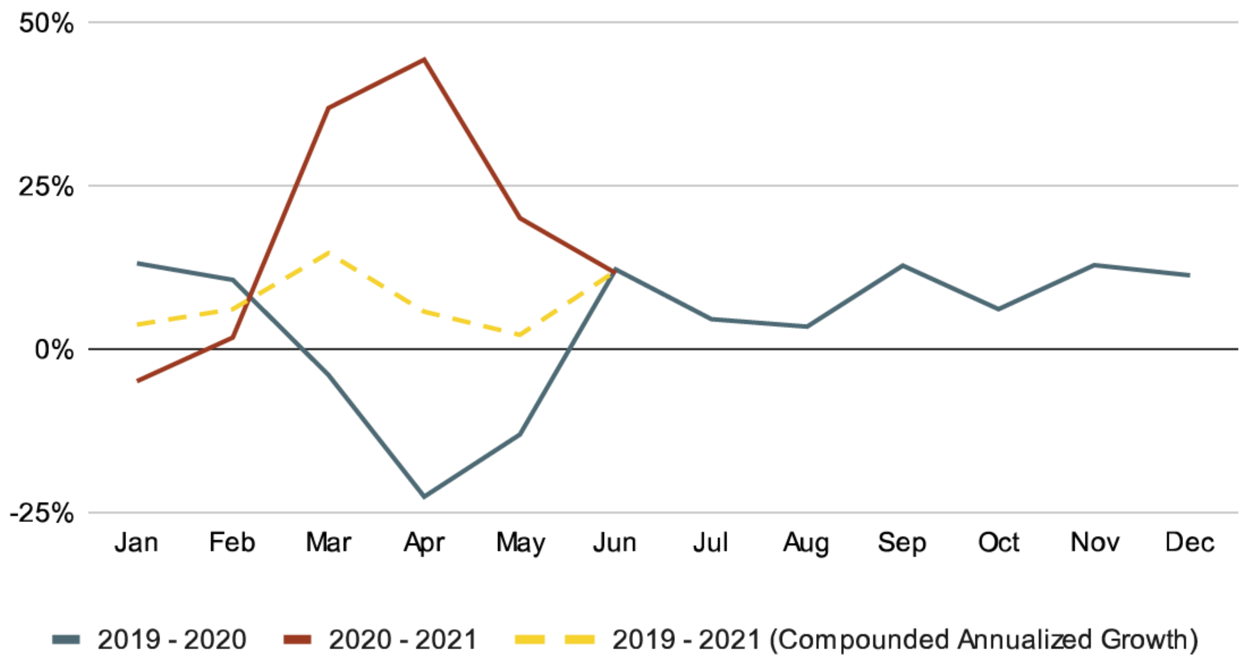

The impact of higher material costs is also reflected in the invoice size of construction and contracting projects. The median invoice size grew by 14% in Q2 2021 compared to the pre-pandemic levels of Q1 2020.[4]

Median Invoice Size of Construction Projects Compared to Q1 2020

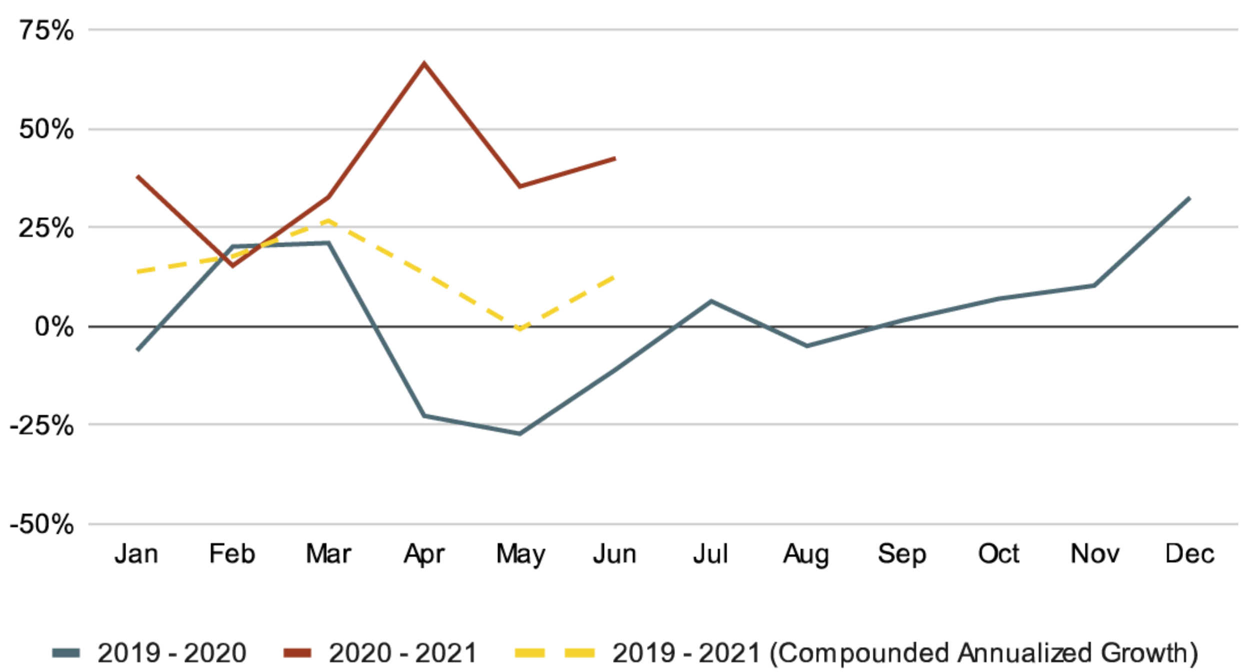

Altogether, these dynamics have led to mixed results for the construction industry. After healthy growth in new work scheduled throughout the second half of 2020, new work growth in 2021 has been quite volatile. Similarly on the revenue growth side, last quarter saw quite a slowdown in CAG since 2019 after a healthy Q4 2020 and Q1 2021.[4]

> ***TAKEAWAY***
>
> ***Contractors are getting more job requests than they're able to fulfill, leading to mixed results for the construction industry.***

### New Work Scheduled YoY - Construction




### Median Revenue YoY - Construction



# Future Outlook

The essential nature of Home Service has allowed this category to persevere during times of economic uncertainty while growth in other major categories declined significantly. Analyzing consumer demand and revenues illustrates just how remarkable the overall recovery has been. In some cases, the category is even benefitting from new trends that have emerged, particularly in real estate and construction. Bolstered by the sale of new and existing homes and growth in home renovations, Home Service will likely continue seeing steady growth as we enter the second half of 2021.

The employment recovery in Home Service, albeit slow, is better than most other categories. As consumer demand for Home Service grows, the shortage of skilled workers will continue to impact the ability for businesses to meet this demand. This, in addition to higher material costs, are challenges that will likely continue for the rest of the year.

Unfortunately the COVID challenge still persists, with a rise in delta variant cases, and a general rise in cases overall. Although vaccinations that have already been distributed are expected to help with this new wave, the impact on society as well as the economy is hard to predict. That said, many Home Service businesses have been able to navigate through the previous waves, and will be able to draw on that experience moving forward.

# 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 July's press release published by the Remodeling Futures Program at the Joint Center for Housing Studies of Harvard University.

[4] The year-over-year change in new work scheduled, median revenue, median invoice size, and average job lead times 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.

[5] 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.

[6] 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.

[7] 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 July 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, June 2021).

[8] 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.

[9] Reference to the article published by PeopleReady.

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

[11] Construction project wait times are provided from houzz.com.

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