EMPLOYEE BENEFITS IN 2020
AN EXECUTIVE SUMMARY

The SHRM Benefits Survey is one of the longest-running annual research reports covering trends in employee benefits in the United States.

Each year, SHRM launches the survey to HR professionals across the country to assess the popularity and prevalence of specific employer-offered benefits. Data users may determine short- and long-term changes in an array of benefits employers offer year-over-year, broken out by industry, organization size, and region.

Historically, there are several reasons why benefits change. In the short term, new laws and employment regulations, national economic shifts and the job market can drive benefits trends. Over the long run, demographic and societal changes make their impact. In 2020, COVID-19 played an appreciable role in employee benefits.

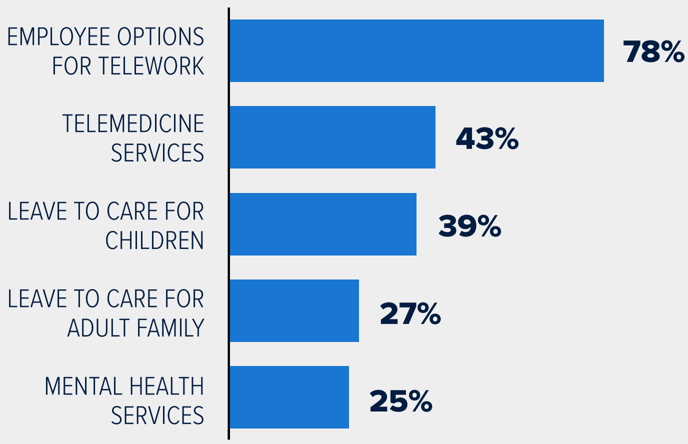
Benefits Expand to Support Remote Work, Caregiving & Health

When COVID-19 began triggering states of emergency across the U.S. in March 2020, organizations abruptly shuttered their offices and instructed tens of millions of employees to work from home indefinitely. Others were laid off, furloughed, or placed in the category of essential worker, putting in longer hours and assuming new responsibilities while being physically present in a locked-down world. Everyone needed more support, whether for managing remote work, caring for family members, or protecting their physical and mental health.

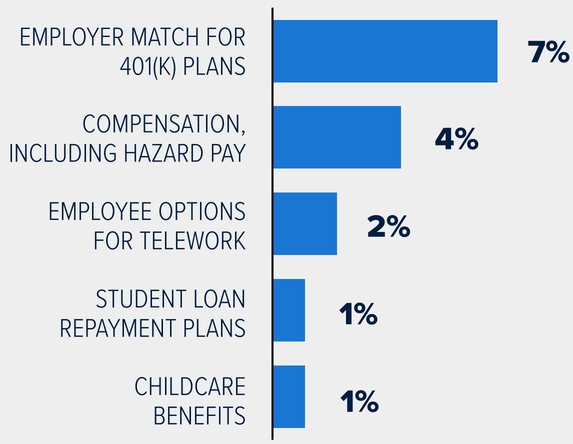
Accordingly, benefits that address such challenges were the ones more likely to be expanded. Social distancing and caregiving needs made the top four a priority, but the expansion of Mental Health services may have resulted from employers recognizing the acute need to support their employees under increased stress, both work- and non-work related.

At the same time, other benefits were scaled back, typically as a cost-cutting measure, but reducing benefits in 2020 was relatively rare.

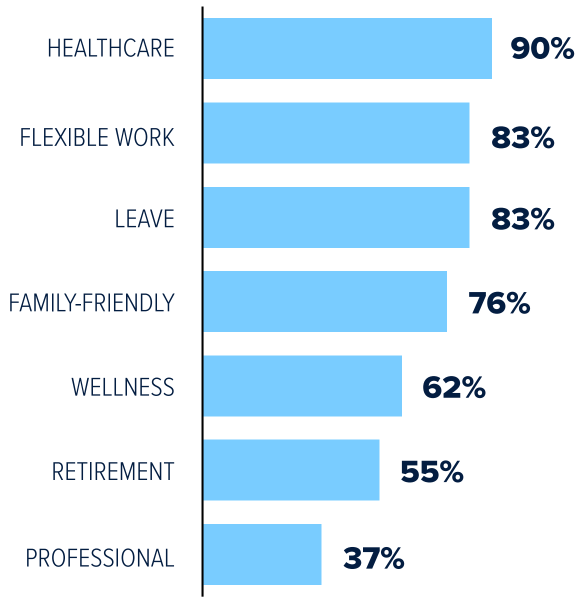
Top 5 Expanded Employee Benefits *(percentage of respondents who indicated their organization increased the benefit)*



Top 5 Reduced Employee Benefits *(percentage of respondents who indicated their organization reduced the benefit)*



Many Traditional Benefits Assumed New Importance During the Pandemic



Employers continued to view **Healthcare** as the benefit they believe to be most important to employees—no real surprise given the COVID-19 pandemic. The tension between managing ever-increasing healthcare and health coverage costs and attracting and retaining top talent continues to be the central driver of employee benefits offerings.

However, rankings of importance for other benefits shifted in 2020 compared to years past, with the biggest impact to **Retirement** benefits, which sunk from its longtime position as second-most important to sixth. **Flexible Work** and **Leave** emerged as the second- and third-ranked benefits. Future surveys will determine whether these rankings stay stable or shift as the world of work recovers.

COVID-19-related reductions in benefits were mainly in areas that employers have immediate and direct control over, including forms of compensation including 401(k) and hazard pay

Benefits Snapshots

FAMILY-FRIENDLY BENEFITS

Family-friendly benefits of all kinds—from dependent care FSAs to referral services saw single-digit increases in 2020. The added burdens of caregiving driven by COVID—both in terms of increased illness and the closure of institutions like schools, daycares, senior centers, etc.—drove more employers to increase paid family leave.

Parent-friendly benefits saw some of the largest increases from 2019, with paid parental leave up from 34% to 53%, paid adoption leave up from 28% to 36%, and paid foster care leave up from 20% to 28%. Although not directly related to the pandemic, these increases may reflect organizations' heightened awareness of the advantages of supporting the complex needs of employees with young children.

FLEXIBLE WORK BENEFITS

Flexibility remains a critical benefit as workers return to workplaces. The number of organizations providing flextime during core business hours in 2020 (50%) fell slightly, but organizations providing less-restricted flextime outside of core hours increased 2 points to 32%.

HEALTHCARE

Most health insurance plans and other healthcare benefits offered by organizations declined very slightly in 2020, and likely to save employers money in an uncertain economic climate. However, organizations expanded supplemental health benefits in almost every category, seemingly in response to a widespread pandemic that was causing higher-than-usual rates of illness and hospitalizations. Critical illness coverage rose 5% to 48%, hospital indemnity insurance rose 6% to 32% and intensive care insurance rose 8% to 25%

Coverage for mental health, family planning and other specific health services also increased in every category we surveyed. While mental health coverage rose just 1 percent, other services that significantly impact mental wellness and quality of life grew significantly, including coverage for in-vitro fertilization, infertility treatment, and gender reassignment surgery. This could be a reflection of organizations becoming more aware of health and well-being during the pandemic and growing demand from employees in general.

LEAVE

The Families First Coronavirus Response Act (FFCRA) and new state and local legislation prompted more organizations to provide paid leave (+7% to 31%). And for the first time since the question appeared on the survey in 2017, more than half of organizations (53%) offered their workers paid time off to vote.

PROFESSIONAL DEVELOPMENT

In 2020, time and budgets for professional development were limited, with a 10% drop in the number of organizations providing training to keep skills current (77%). However, the number of organizations providing formal training for new skills (upskilling) increased 29 points to 74%.

RETIREMENT

Following a surge in 2019, the number of organizations offering a traditional 401(k) in 2020 dropped back to 2016-2017 levels (down 3% to 91% in 2020). Traditional defined pension plans (9% in 2020) also decreased 3% to their lowest in 5 years. The movement away from these plans may reflect cost-cutting measures from employers, and the corresponding 4% rise in those offering Roth 401(k)s, which allow tax-free withdrawals, may indicate these investments are more attractive to employees than a 401(k) during an uncertain economic climate. SHRM will be watching to see if this movement continues beyond the COVID-19 period.

Federal legislation—namely the CARES Act and the SECURE Act—brought relief to employees by making hardship loans and withdrawals against 401(k) easier and enabled small businesses to offer less-expensive “safe harbor” plans as an additional relief measure.

FINANCIAL WELLNESS AND EDUCATION ASSISTANCE

Financial wellness benefits remain relatively rare, with less than a quarter of organizations (24%) providing non-retirement financial education—a 13-point reduction since 2019. Similarly, just 17% offer employer sponsored credit counseling services, down from 19 percent the previous year

Education benefits are ripe for expansion, as employers could see real advantages in talent acquisition and retention by being early adopters of these relatively rare but popular offerings. But fewer organizations (-9% from 2019) offered undergraduate or graduate tuition assistance likely caused by tight finances, concern about the quality of higher education being provided during the pandemic, and reduced employee demand. The percentage of employers offering student loan repayment benefits remained at the same low level as 2019 (8%). We anticipate a ramping up of employers offering this benefit as the 2020 CARES Act allows employer-provided student loan repayment as a tax-free benefit to employees.

Conclusion

The COVID-19 pandemic was likely the cause of most movement in employee benefits in 2020. These results may be used as a starting point to estimate which benefits employers may decide to change in the future. Future SHRM Benefits Surveys will be primed to account for these changes and capture how benefits were used in this recovery.

Employee benefits will likely play a stronger-than-ever role in attracting talent to organizations, as organizations experience a 2021 “turnover tsunami,” with more U.S. workers quitting their jobs than at any time in at least two decades. SHRM’s newest research on workplace culture supports this, with more than half of working Americans (52 percent) now considering leaving their workplace—up from almost half in 2019.

The results of this 2020 survey may be used as a starting point to estimate which employee benefits employers decide to change in the future, either by maintaining, expanding, or reducing them relative to their pre-pandemic state.

RESEARCH METHODOLOGY

To collect data sufficient to be used throughout the rapidly changing workplace landscape during the COVID-19 pandemic, we adjusted our sampling methodology somewhat as compared to previous years. We continue to collect from our membership of more than 300,000 HR professionals. However, rather than the simple random samples of SHRM members that we’ve used in the past, for 2020 we employed a stratified sampling methodology to ensure that we had coverage of all organization sizes, regions, and industries we planned to include in this report.

The data used in this report were collected from 2,504 HR professionals through SHRM membership across the United States. All respondents were employed by an organization at the time they completed the survey.

Initial data collection was conducted between September 28, 2020, through November 10, 2020. Supplemental data were collected from May 17, 2021, through June 28, 2021. All survey respondents were asked to provide answers on what employee benefits their organization offered during plan year 2020, unless otherwise specified. Data is unweighted.

Scan the QR code or visit shrm.co/benefits to read the full 2020 Benefits report