2020 EMPLOYEE BENEFITS

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FOREWARD NOTE

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 changing job market can drive benefits trends, and over the long run, demographic and societal changes make their impact.

In 2020, COVID-19 played an appreciable role in employee benefits—and to our data collection.

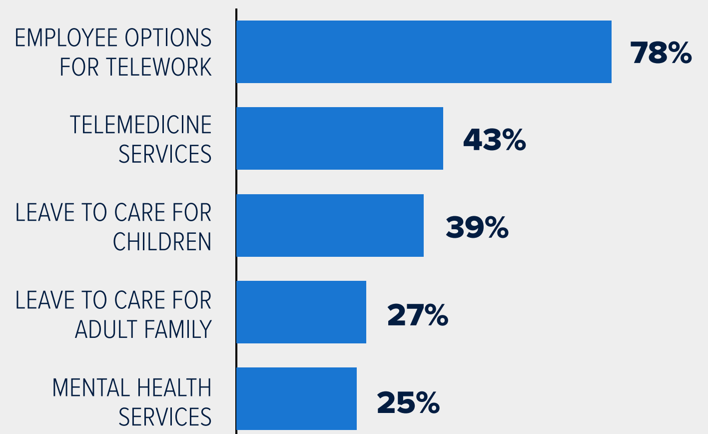
- Data collection was delayed due to COVID-19 and required a supplemental survey in 2021 because in certain industries, fewer people were able to participate in 2020 because of increased workloads as well as layoffs and furloughs.
- The 2020 survey is shorter to focus on core benefits offered across most organizations, like Family-Friendly, Flexible Work, Healthcare, Leave, Professional Development, Retirement and Wellness benefits.
- We removed questions related to business travel, relocation benefits and other benefits reliant on physical access to a workplace.
- We added questions about how organizations adjusted their offerings throughout the pandemic to determine some of the direct impacts of COVID-19 on employee benefits.

Benefits Expand to Support Remote Work, Caregiving and Health

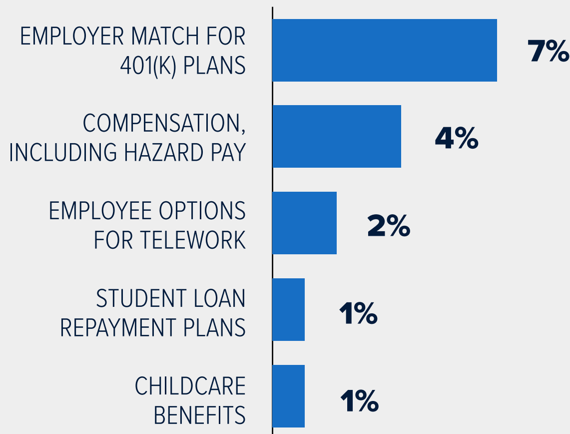
When COVID-19 began triggering states of emergency across the U.S. in March 2020, organizations abruptly shuttered their offices and instructed tens of millions of employees to work from home indefinitely. Others were laid off, furloughed, or placed in the category of essential worker, putting in longer 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 have been expanded.

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



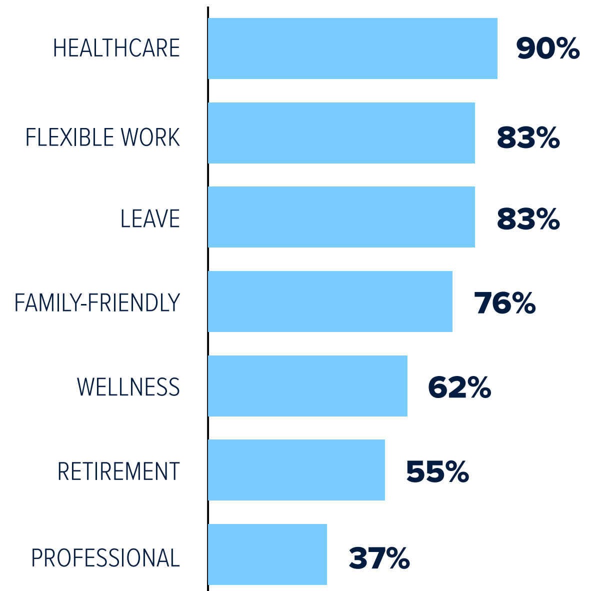
Top 5 Reduced Employee Benefits *(percentage of respondents who indicated their organization reduced the benefit)*



Understandably, telework is at the top, followed by telemedicine services, leave to care for children or other family members, and mental health services. 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.

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.

Annual family premiums for employer-sponsored health insurance rose 4% in 2020, similar to the year-to-year rise in workers' earnings (3.4%) and nearly double that of inflation (2.1%), according to the Kaiser Family Foundation[1].

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 employers felt they could offer to employees, respectively. Future surveys will determine whether these benefits will remain in these positions of importance in the years ahead as the world of work recovers.

1 https://www.kff.org/report-section/ehbs-2020-summary-of-findings/

BENEFITS SNAPSHOTS

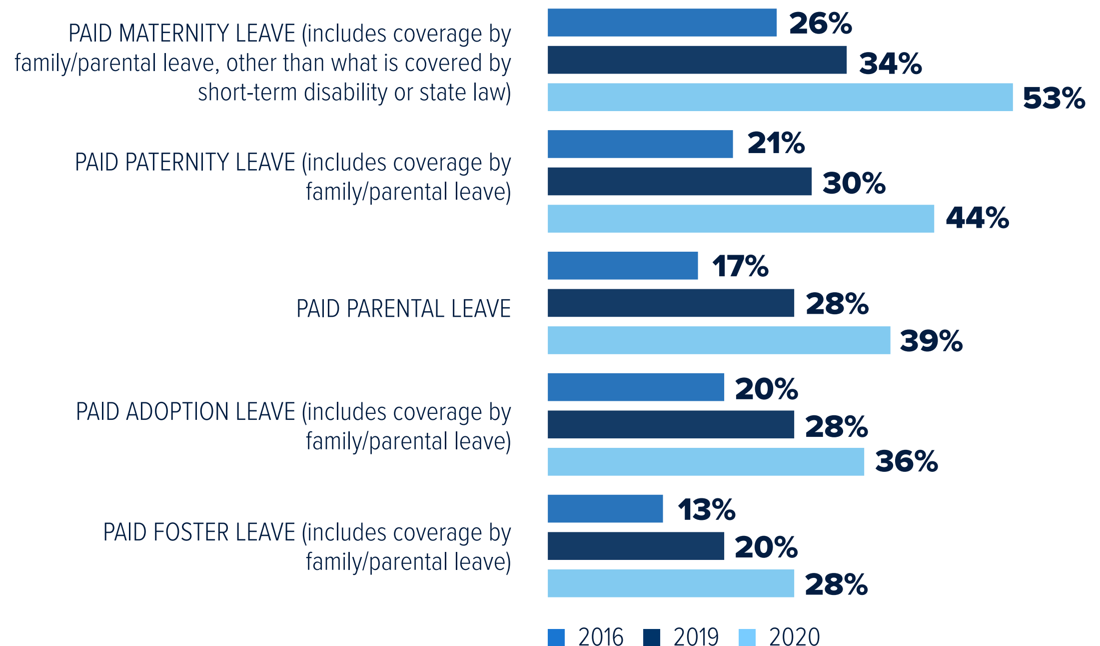
Family-Friendly Benefits

In 2020, the often-conflicting demands of caregiving and work came under a harsh spotlight, with employers challenged to ease employee stress. Closed schools and reduced options for eldercare weighed heavily on workers and their employers, and for millions of working women, the situation was especially dire.

Based on data from the U.S. Bureau of Labor Statistics, between February 2020 and February 2021, more than 2.3 million women left the labor force, bringing women's labor force participation rate to 57%—lower than at any time since 1988. Caregiving was only one cause: Sectors with heavily female workforces were severely impacted by COVID-19 restrictions and shutdowns.

Some of the largest 2019-to-2020 increases in our survey were seen in parental leave. Although there is no clear connecting line to the events of 2020, these increases may reflect organizations' heightened awareness of the advantages that come in supporting the complex needs of employees with young children.

The COVID-related Taxpayer Certainty and Disaster Tax Relief Act of 2020, passed in December 2020, allows employers to modify their flexible spending plans (FSA) so employees can make mid-year changes such as new enrollment or increasing, decreasing, or stopping contributions, but the rules only applied for 2020. The new law lets employers adjust their programs in 2021 and 2022.



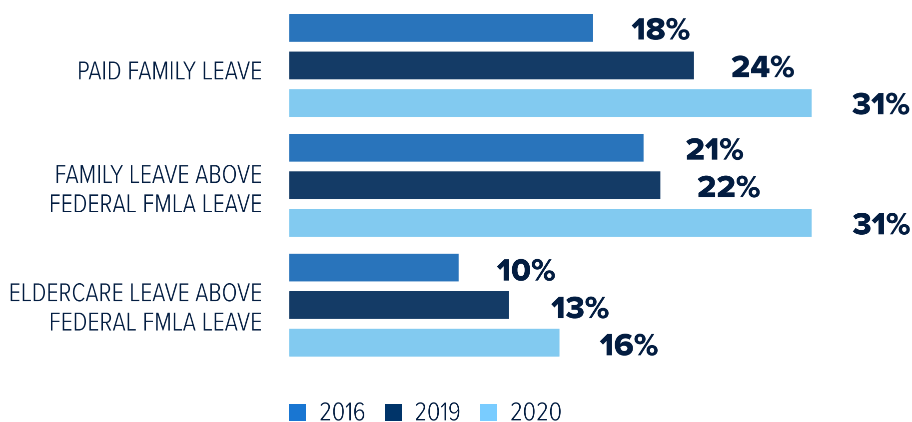
Employers also can extend the permissible period for incurring FSA claims for plan years ending in 2020 and 2021 and can establish a special claims period and carryover rule for dependent care assistance programs when a dependent "ages out" during the COVID-19 public health emergency. Employers can also allow mid-year elections changes for dependent care assistance programs for plan years ending in 2021 and provide a grace period of up to a year for the remaining money in FSAs to be spent down.

The added burdens of caregiving driven by COVID—both in terms of increased illness and the closure of schools, daycares, senior centers, etc.—drove more employers to increase paid family leave.

INDUSTRY INSIGHTS

- Two-thirds of (66%) of organizations in the **Retail, Wholesale, Transportation & Warehousing, Utilities** industry said they offered a Dependent Care FSA—up 20 points since 2019 and the highest percentage since 2018.

Parental Leave Benefits in 2016/2019 vs 2020



Family-friendly benefits were among the most changed in 2020 as organizations adapted to employee needs

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

The percentage of organizations offering undergraduate or graduate tuition assistance dropped by 9 points since 2019 (47% in 2020), likely caused by their tight finances, concern about the quality of higher education being provided during the pandemic, and reduced employee demand.

The SECURE Act also allowed employees to use tax-advantaged 529 accounts for qualified student loan repayments—up to $10,000 annually. Ten percent of organizations offer their workers access to these savings plans, down 1 point since 2019. Just 1 of 100 employers contributed to these plans in 2020.

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. Employers can choose to make tax-exempt annual contributions of up to $5,250 per employee toward eligible education debt.

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.

INDUSTRY INSIGHTS

- The prevalence of organizations in the **Healthcare and Social Assistance** industry offering student loan repayment assistance (17%) grew 9 points in a year, compared to an 8-point decrease for the **Government & Education** industry (7%).
- The percentage of organizations in the **Leisure & Hospitality** industry offering credit counseling service as a benefit was halved to 10% in 2020.

Flexible Work Benefits

While remote work has been the focus of workplace changes during the pandemic, flexibility remains a critical benefit to workers as they return to workplaces, as well as for those who never left their worksites. Flexibility may include compressed workweeks, flexible full-time hours and even flexibility in break arrangements.

Flexible work arrangements can reduce tardiness and absenteeism among workers and can make it easier for employers to recruit workers valuing flexibility. Workers who are also caregivers may use flexibility to better meet the needs of the children or elders they care for.

As organizations worked to respond to changing conditions, the number of organizations providing flextime during core business hours in 2020 (50%) is 7 points lower than in 2019; however, this drop was largely offset by an increase in organizations providing less-restricted flextime outside of core hours—up 2 points to 32%. Overall, about half of organizations provide flextime during core hours, and about a third provide flextime outside of core business hours.

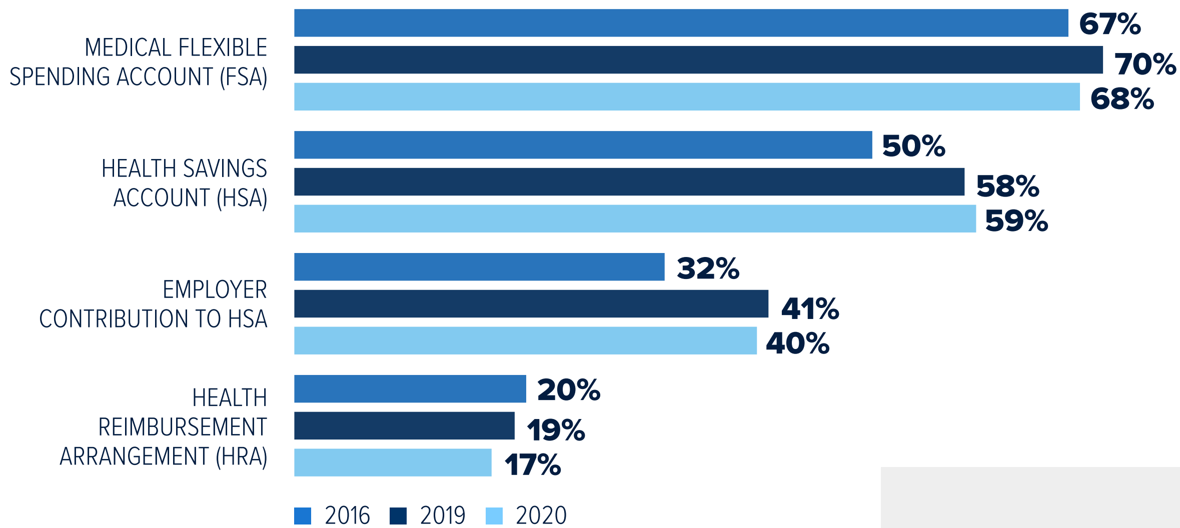
Flexible Work Benefits in 2016/2019 vs 2020

	2016	2019	2020
Flextime during core business hours	**51%**	**57%**	**50%**
Flextime outside of core business hours	**28%**	**30%**	**32%**
Compressed workweek	**29%**	**32%**	**32%**

Healthcare

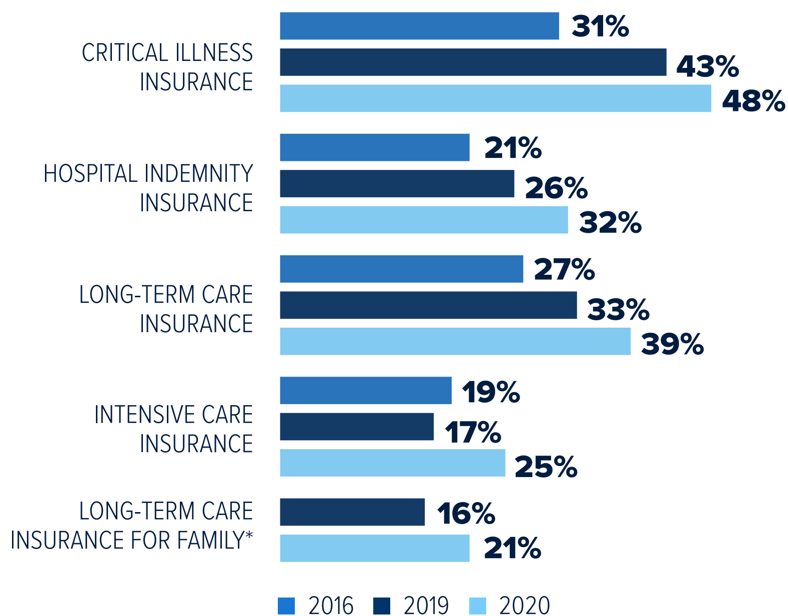
Some health insurance plans and other healthcare benefits offered by organizations showed very small increases, but more declined slightly in 2020, and likely as a cost-saving measure.

Health Insurance Benefits in 2016/2019 vs 2020



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.

Supplemental Health Benefits in 2016/2019 vs 2020

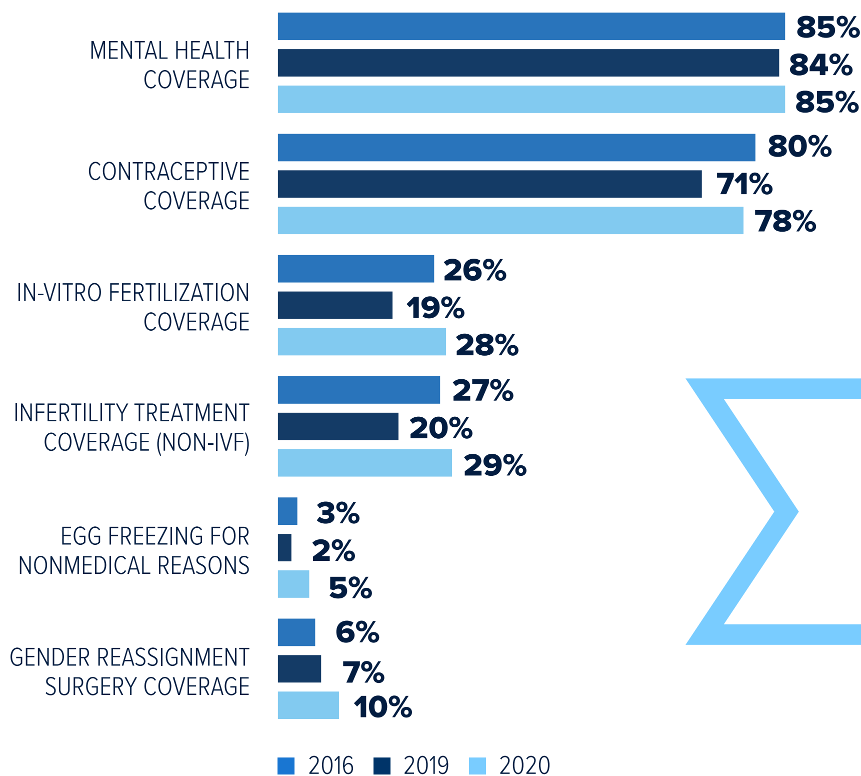


*Long Term Care Insurance for Family was not asked in 2016

INDUSTRY INSIGHTS

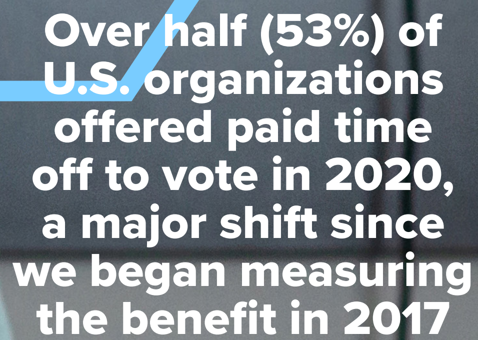
- 45 percent of organizations in the hard-hit **Leisure & Hospitality** industry offered employees an HSA in 2020—an 18-point decrease since 2019 and the lowest prevalence since 2017.
- 63 percent of organizations in the **Retail, Wholesale, Transportation & Warehousing, Utilities** industry offered employees a medical Flexible Spending Account—up 16 points since 2019 and the highest prevalence in the last five years.
- 49 percent of organizations in the **Retail, Wholesale, Transportation & Warehousing, Utilities** increased employer contributions to HSAs—a 9-point boost since 2019 and the highest percentage in the last five years.

Specific Health Services Benefits in 2016/2019 vs 2020



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

Healthcare benefits saw minor decreases in 2020 as organizations coped with COVID-related financial hardships



Over half (53%) of U.S. organizations offered paid time off to vote in 2020, a major shift since we began measuring the benefit in 2017

Leave

Almost all organizations offer Vacation Leave (98%) and Sick Leave (95%) to their largest group of employees, although both dropped 1 point since 2019. Seven percent of organizations surveyed offer Open or Unlimited leave, up 1 point over 2019.

COVID-19 legislation brought changes to Family Leave in 2020.[1] Organizations offering paid family leave increased by 7 percentage points from 2019 to 31% in 2020, likely due to the impact of the Families First Coronavirus Response Act (FFCRA) and state and local legislation requiring employers to provide paid leave in some localities. Still, many workers cannot afford to take unpaid leave under the Family and Medical Leave Act (FMLA) when they are sick or need to care for family members. In addition, the administration of FMLA leave is a significant burden on many organizations because of the patchwork of state and local paid leave regulations and new 2020 leave legislation. Shifts in leave data for 2020 should be viewed considering the unique year rather than indicators of important leave trends.

For the first time since we began asking on the Benefits Survey in 2017, more than half of organizations (53%, up 10 points from 2019) offered their workers paid time off to vote. Most states have laws requiring employers to provide time off to vote in some circumstances, but not every state requires that time to be paid.[2]

Paid Leave in 2016/2019 vs 2020

	2016	2019	2020
Paid vaction time	**97%**	**99%**	**98%**
Paid sick time	**93%**	**96%**	**95%**
Paid time off (PTO) including both vacation and sick time	**-**	**63%**	**66%**
Paid open/unlimited leave	**4%**	**6%**	**7%**

INDUSTRY INSIGHTS

- 44% of organizations in the **Construction** industry said they offer paid maternity leave beyond what is required by short-term disability or state law—up 29 points since 2019 and the highest percentage in the last five years.
- 51% of organizations in the **Professional & Business Services** industry said they offer paid parental leave, up 16 points since 2019 and the highest percentage in the last five years.
- 89% of organizations in the **Healthcare and Social Assistance** industry said they offer up to 12 weeks unpaid leave to care for immediate family, up 25 points since 2019 and the highest percentage in the last five years.

1 Many employers made statutorily permitted or required changes once the pandemic hit, and some survey respondents likely provided their organization's policy at the time of the survey in 2020/ 2021.
2 https://www.workplacefairness.org/voting-rights-time-off-work

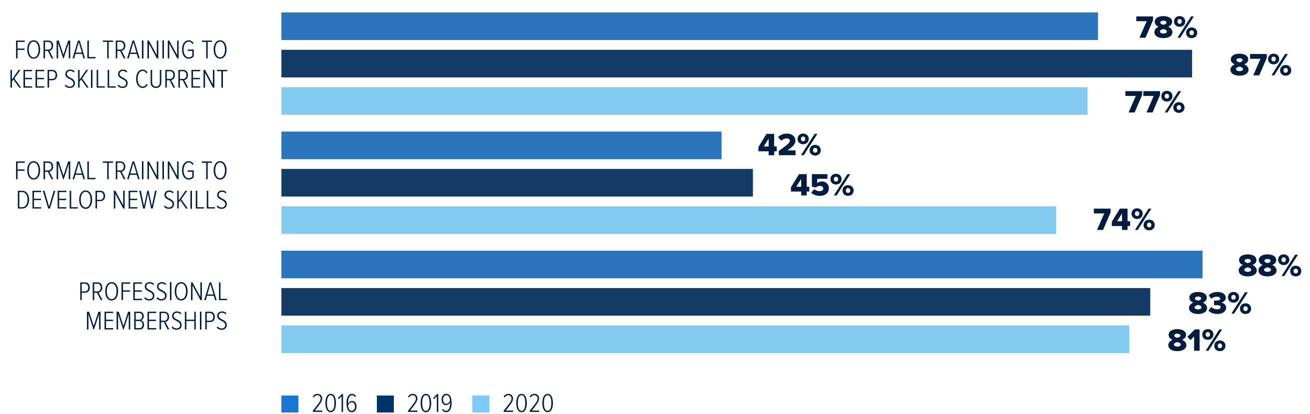
Professional Development

Organizations that encourage employee development and professional education will benefit in the short term from upskilling and retaining current staff and increasing employee engagement. And those benefits will compound over time as staff move into leadership roles and help the organization grow in the years ahead.

Unlike many other benefits in our report, Professional Development is not subject to statutory or regulatory requirements, nor is it locked in by a benefits selection process. For that reason, these benefits tend to be much more reactive to the dramatic changes in work we've seen during the pandemic.

In a year where virtually every business faced changes, organizations were forced to adapt quickly to new pandemic-related public health measures, remote work, new customer service approaches and more. Time and budgets being limited, fewer organizations provided training to keep skills current (77%, down points from 2019). However, the number of organizations providing formal training for new skills increased by 29 points to 74%[1].

Professional Development Benefits in 2016/2019 vs 2020



INDUSTRY INSIGHTS

- 78% of organizations in the Construction industry said they offer formal training or education provided by or paid for by employer to develop new skills—up 40-points since 2019 and the highest percentage in the last five years.

COVID-19-related legislation, including the FFCRA (Families First Coronavirus Response Act) had a major impact on leave benefits for 2020

1 We asked respondents to our 2020 Benefits survey to report the benefits that their organizations were providing in 2020 prior to the pandemic but anticipated that some respondents would tell us about the benefits their organization was offering when data was collected in the fall of 2020.

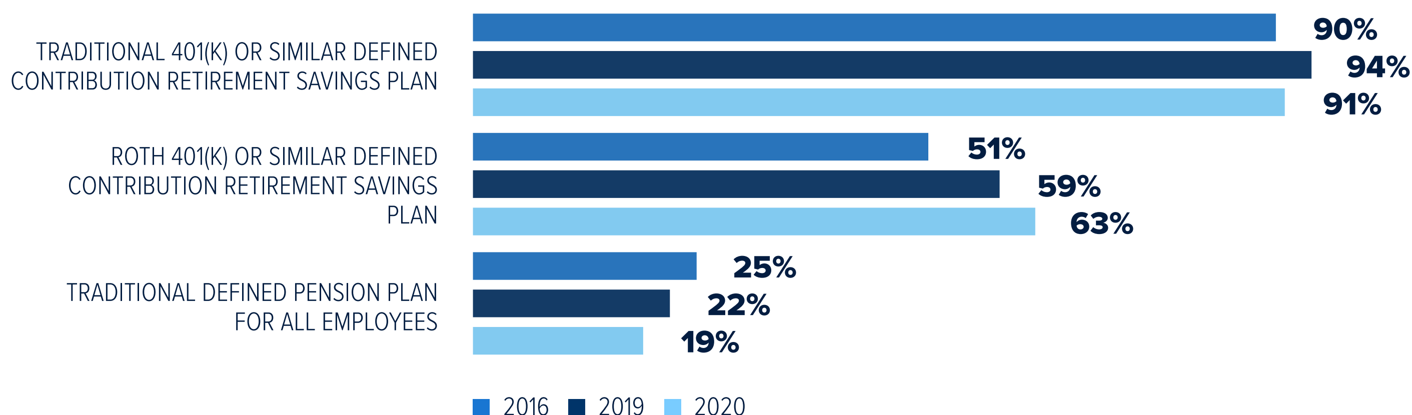
Retirement

Following a surge in 2019, the number of organizations offering a traditional 401(k) in 2020 dropped back to 2016-2017 levels (down 3 points to 91% in 2020). Traditional defined pension plans (9 points in 2020) also decreased 3 points to their lowest in 5 years. The movement away from these plans may reflect cost-cutting measures from employers, and the corresponding 4 point 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.

INDUSTRY INSIGHTS

- Fewer organizations in the **Government & Education** industry offered a traditional defined pension plan in 2020 (57%) than in 2019 (69%)—the lowest percentage in the last five years.
- Many more organizations in the **Healthcare and Social Assistance** industry (71%) offered 401(k) hardship withdrawals—a 31-point increase since 2019 and the highest percentage in the last five years.
- 57% of organizations in the **Leisure & Hospitality** industry offer loans against savings plans—a 22-percentage point increase since 2019 and the highest prevalence percentage in the last five years.

Retirement Benefits in 2016/2019 vs 2020



Hardship withdrawals increased 18 points to 72% in 2020, and loans against 401(k) plans increased 12 points to 59%, likely driven by the COVID-19 pandemic and provisions in the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted in March 2020. The CARES Act allows workers financially impacted by the pandemic to take early withdrawals from their 401(k) plans with delayed tax liability or take out loans up to $100,000 of their 401(k) balance, with up to six years to repay.

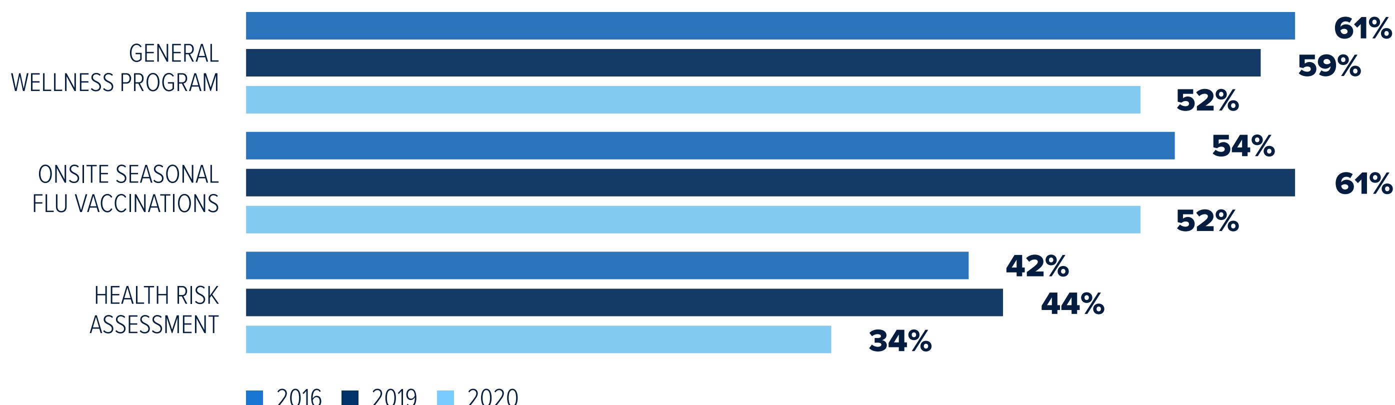
The Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019 also stimulated action on retirement benefits, increasing the opportunity for small businesses to establish retirement and education plans for their employees. They could now set up "safe harbor" retirement plans that are less expensive and easier to administer and offer retirement plans to part-time workers more readily.

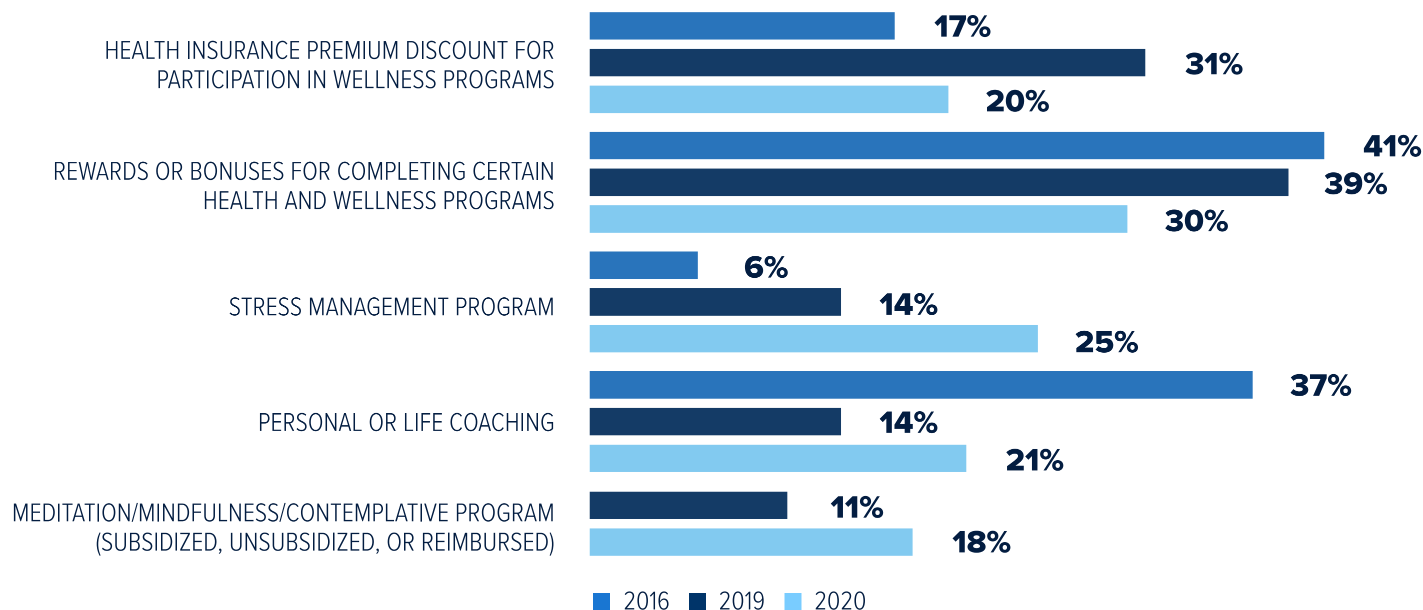
Many small businesses took advantage of these new opportunities by expanding automatic enrollment in retirement plans for new or existing employees, which jumped 16 points over 2019 to 43% (among organizations with less than 100 employees).

Wellness Benefits

Even as COVID-19 swept through the population, many benefits promoting physical wellness in the workplace decreased in 2020. This may be due to the difficulty in 2020 of delivering programs in the physical workplace or the inability of employees to utilize incentives like gyms, personal trainers, or physician visits. On the other hand, benefits that are more easily offered online or practiced solo were more likely to increase.

Wellness Benefits in 2016/2019 vs 2020





CONCLUSION

The COVID-19 pandemic was likely the cause of most movement in employee benefits in 2020 due to the adjustments organizations made to support employees whose work and family life were so disrupted by the demands of social distancing. Often these adjustments were encouraged or required by new COVID-related employment legislation.

These results 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). For the 2021 and 2022 Employee Benefits survey, SHRM will be watching closely to see if trends in benefits prevalence that emerged this year will continue or return to levels seen in prior years.

Employee benefits will likely play a stronger role in attracting talent, as organizations experience a 2021 "turnover tsunami." More U.S. workers are quitting their jobs than at any time in at least two decades: In June 2021, the share of U.S. workers leaving jobs was 2.7%, according to the U.S. Labor Department, a jump from 1.9% a year earlier and the highest level since at least 2000[1].

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.

Only time will tell how many of the changes from the 2019-2020 benefits landscape were as a result of COVID-19, but without doubt, the pandemic will have a lasting effect on the kinds of benefit offerings that employees demand from organizations going forwards

1 https://www.bls.gov/news.release/pdf/jolts.pdf

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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. The data is unweighted.

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