# The State of HR

2021 Report

Executive Summary

All bets were off in 2020. And that went double for small to medium employers who had to navigate countless human resource and compliance challenges.

But after looking at the 2020 survey responses of over 2,200 professionals, and comparing them to what people said last year, not everything has changed.

These employers were still dedicated to the support and wellbeing of their employees, a theme of this year's report. Many were able to achieve that, while others faced significant roadblocks. Understanding and complying with laws and regulations hindered employers' abilities to focus on their employees— another theme of this year's report.

In either case, employers still needed help with complex issues and administrative burdens. The **2021 State of HR Report** dives deep into what those complex issues where, and how they addressed them.
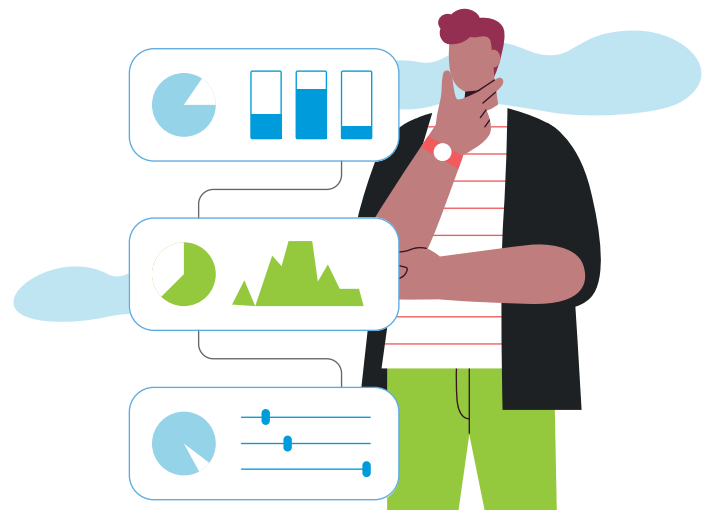
1 Demographics

The people who responded to our survey are impressive, diverse, and as you will see later, they are dynamic.

Industries Represented

Over half of respondents were from heavily regulated industries

Non-profit	**16%**
Manufacturing	**15%**
Healthcare	**10%**
Professional Services	**9%**
Construction	**7%**
Technology	**6%**
Financial Services	**5%**
Education	**4%**
Hospitality	**3%**
Retail	**3%**
Public Administration	**3%**

Primary Job Function

Two thirds of respondents were involved in human resources in a traditional role

Human Resources	**67%**
Finance	**8%**
Executive/Owner	**7%**
Office Manager	**7%**

Business Size

88% of respondents were from organizations 500 employees or less

1-10 employees	**7%**
11-50 employees	**25%**
51-200 employees	**39%**
201-500 employees	**17%**

Organizational Role

72% of respondents were in senior roles at their organizations

Manager/Supervisor	**37%**
Director	**25%**
Executive	**14%**
Vice President	**6%**
Consultant	**1%**

The voices represented in this survey are leaders from small-to-medium employers who understand how human resources works in a wide variety of industries.

2 HR Departments

"**For small employers, a human resources (HR) department isn't necessarily defined by HR roles, but rather HR responsibilities.**"

Bethany Lopušnak - HR Advisor, ThinkHR

Over a third of organizations had either one-person HR departments or no people in HR at all.

A little over half of people in HR roles had formal certification (53%). This may sound ordinary, but it has increased greatly from 2019 where both HR and non-HR people typically did not have HR certification.

When asked where respondents first turn to get answers to HR questions, most went to external experts such as a law firm or an HR consultant (73%). These are trusted sources. A sliver of people used informal sources, such as Google (12%).

Compared to last year, a larger percentage of people are turning to trusted sources (63% to 73%) and a lower percentage are turning to informal sources (18% to 12%). This suggests a **trend of employers seeking expert help as opposed to figuring it out themselves**.

? **Where do you go first to find answers to your HR and compliance questions?**

Trusted sources

63%   73%

Informal sources

18% 12%

■ 2019
■ 2020
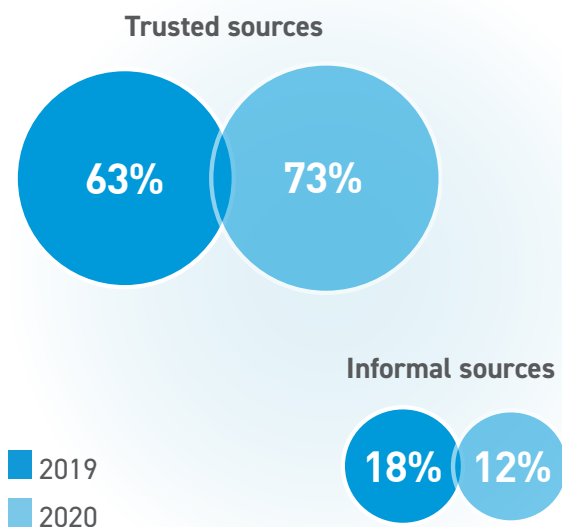
And non-HR professionals might need help. One third of non-HR practitioners are nonetheless spending more than 5 hours on HR issues in each week.

Why does HR certification matter? It really depends on your organization's goals. Certification shows that someone is well versed in HR best practices and has access to resources. If an organization wants support for employees then certification, or access to people who are certified, helps.

? **How much time are you spending on HR and/or compliance issues?**

0-5h — **40%**

6-10h — **22%**

11-20h — **15%**

21-30h — **9%**

30-40h — **14%**

■ Hours on HR / week
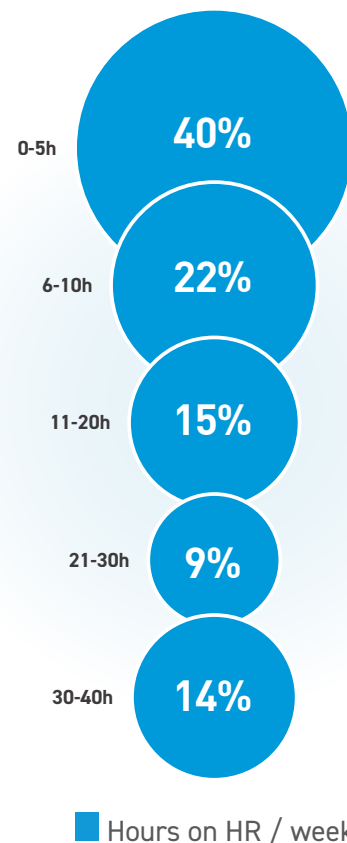
HR departments in small to medium-sized organizations are getting sharper and being deliberate about the time they spend on HR issues.

? What percentage of your workforce is remote?

Less than half

92% 55% 71%

More than half

8% 45% 29%

- January 2020
- April 2020
- October 2020
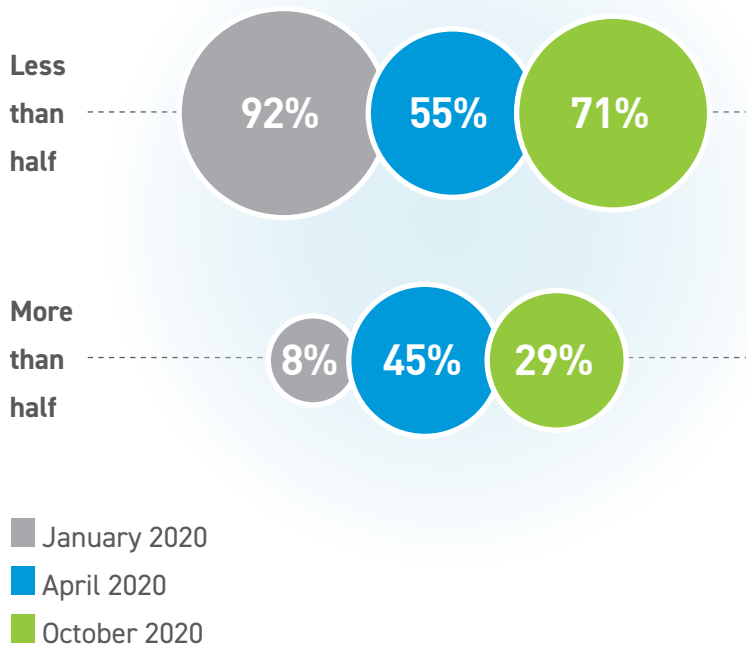
A Note About Remote

When asked about what percentage of their workforce is remote, 75% of employers said they had at least one remote employee. Twenty-nine percent had a mostly remote workplace.

In 2019, 58% of organizations had at least one remote worker and only 8% had a mostly remote workplace. This means the number of workplaces with a mostly remote presence more than tripled in 2020.
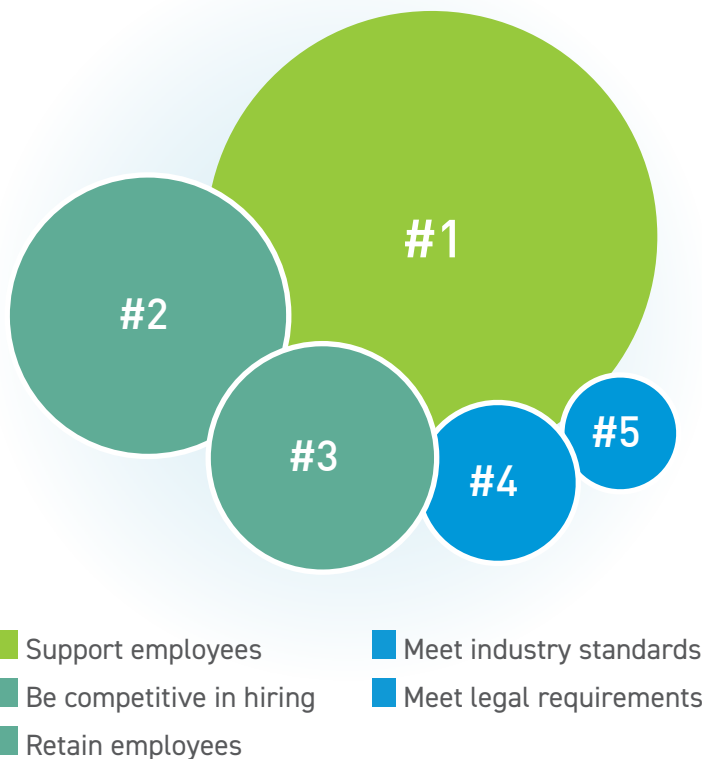
Still, despite 2020 events, most employers did not have more than a 50% remote presence. And 85% don't anticipate increasing it in 2021.

COVID-19 had a long-lasting, but limited, effect on remote work among SMBs.

3 Benefits

Employee benefits are anything of value that an employer offers above and beyond an employee's base pay.

? Why do you offer employee benefits at your organization?

- Support employees
- Be competitive in hiring
- Retain employees
- Meet industry standards
- Meet legal requirements

Most employers added or expanded their benefits in 2020 (59%). Of them, the most popular added benefit was paying for remote set-up costs (44% added this benefit). Employee assistance programs, mental wellness support, and extra paid time off were also popular additions to employers' benefits offerings.

And employees seemed to appreciate it, as 88% of employers said they believe their employees were either satisfied or very satisfied with their benefits.

The top reason for offering benefits was to support employees. In contrast, the bottom-ranked reasons were to meet an external standard.

And the theme will likely continue in 2021. One third of employers plan to spend more on benefits for each employee in 2021 and only 5% plan to spend less.

Employers used benefits in 2020 largely to support employees, which will increase in 2021 for a large number of organizations.

4 HR Technology

In the 2020 survey, we defined HR technology as software that enables you to perform HR-specific responsibilities.

Ninety-two percent of employers used HR technology in 2020. Two main reasons that drove employers to invest in HR technology were to **reduce administrative burden (72%)** and **ensure compliance with laws (69%).**

Reducing administrative burden and ensuring compliance with laws closely align with the specific HR technology employers utilized in 2020. For instance, online training, handbook, and workplace health and safety programs help make compliant workplaces.

? Which of the following HR technologies did you utilize in 2020?

| 77% | 49% | 33% | 25% | 15% | 14% | 8% | 8% | 8% | 4% |
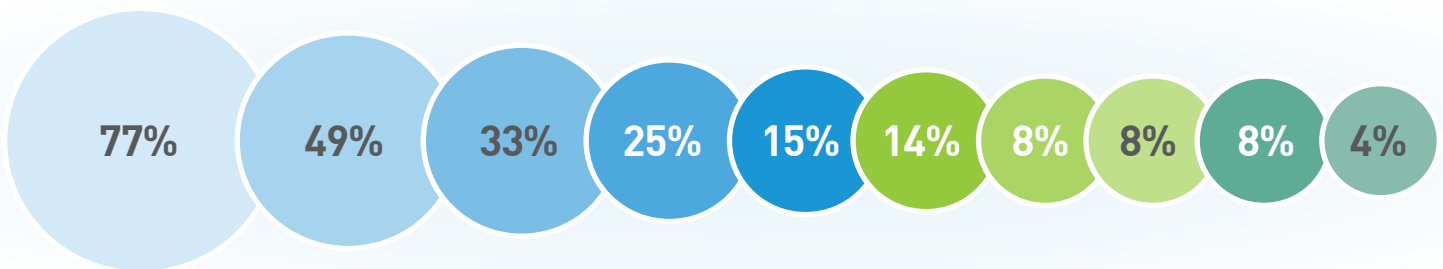
- ■ Payroll
- ■ Online Compliance Training
- ■ Learning Management System
- ■ Handbook and Policy Management
- ■ Workplace Health and Safety
- ■ Employee Engagement
- ■ Anonymous Reporting
- ■ None
- ■ Other
- ■ Diversity, Equity, and Inclusion

Much like with employee benefits, most organizations either spent more or the same on HR technology in 2020 as they did in 2019 (74%). Projected spending for 2021 wasn't too far off from the 2020 numbers.

? **What best describes your spending on HR Technology in 2020 and 2021?**

'19

'20

Have spent...

More	**35%**
Same	**39%**
Less	**9%**
Unknown	**17%**

'20

'21

Will spend...

More	**26%**
Same	**44%**
Less	**8%**
Unknown	**22%**

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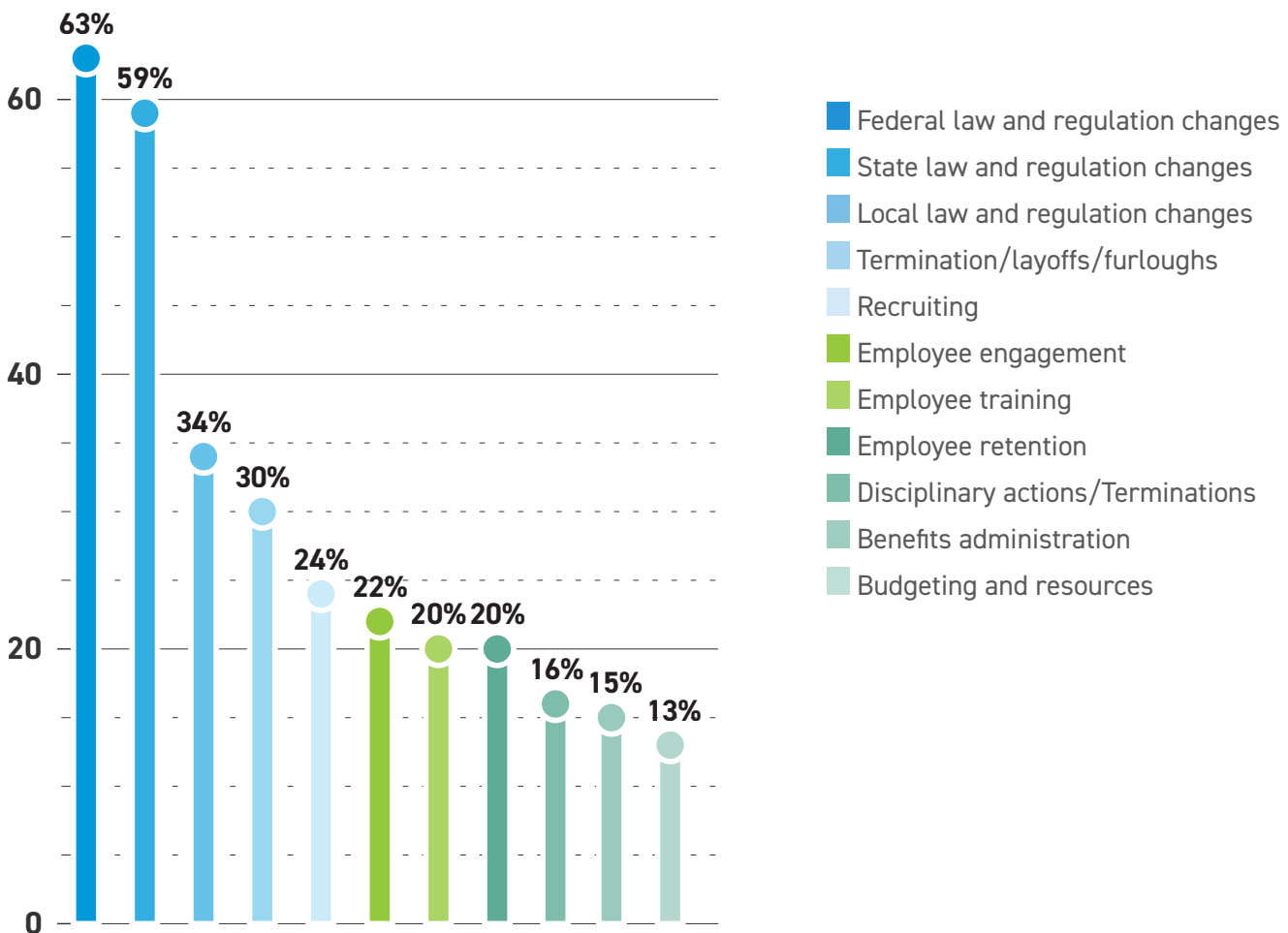
Reducing administrative burden and legal compliance were compelling reasons why employers invested, and plan to invest, in HR technology.

5 Compliance

Compliance has traditionally focused on laws and regulations, but social movements and the pandemic blew out the scope.

Complying with laws was a significant struggle for employers in 2020. In fact, when asked which HR and compliance issues were most challenging, changes in federal, state, and local laws were the top three answers. This makes a lot of sense, given the federal Families First Coronavirus Relief Act, state paid leave laws, and local health and safety regulations.

? **Which HR and compliance related issues were most challenging for you in 2020?**

Chart data:
- 63%
- 59%
- 34%
- 30%
- 24%
- 22%
- 20%
- 20%
- 16%
- 15%
- 13%

Legend:
- Federal law and regulation changes
- State law and regulation changes
- Local law and regulation changes
- Termination/layoffs/furloughs
- Recruiting
- Employee engagement
- Employee training
- Employee retention
- Disciplinary actions/Terminations
- Benefits administration
- Budgeting and resources

That didn't stop employers from trying to maintain compliance. A good example is handbook policies, which involve compliance-related elements. Most employers updated their employee handbooks or policies at least once a year (63%). Still, over a third (35%) said they updated their handbook infrequently or didn't know if they did at all.

When asked which parts were so challenging, most employers said it was the ongoing review, knowing when to update, and tracking state and federal laws. Again, we see **compliance challenges arise with common workplace assets like handbooks**.
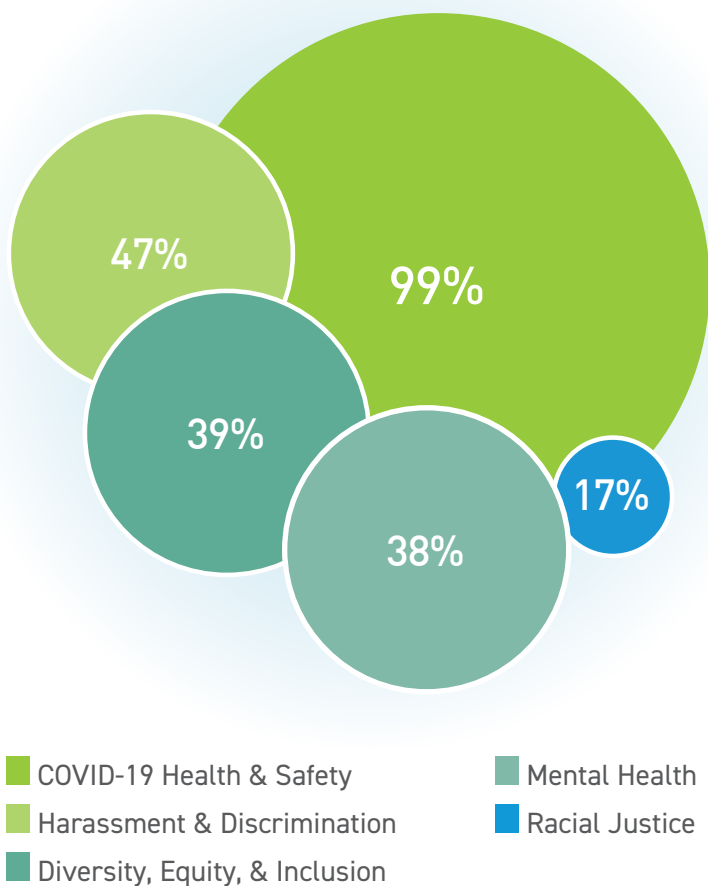
> Still, over a third (35%) said they updated their handbook infrequently or didn't know if they did at all."

? Which aspects of employee handbook or policy management are the most challenging for your HR department to manage?

2019

- 23%
- 52%
- 56%
- 28%
- 27%
- 15%

2020

- 19%
- 58%
- 58%
- 21%
- 23%
- 8%
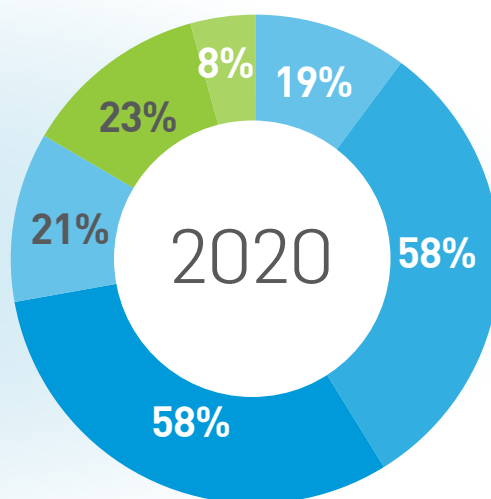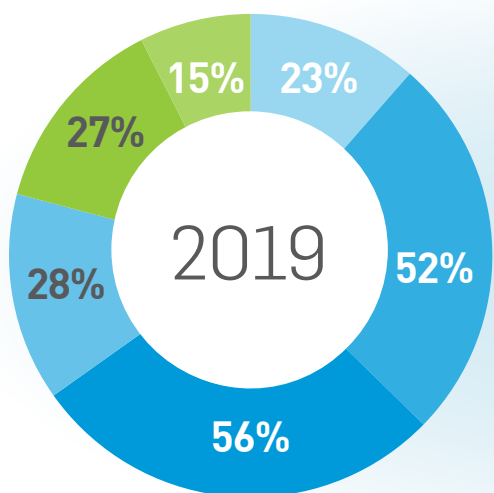
■ Tracking new compliance requirements ■ Initial drafting
■ Ongoing review + updates ■ Communicating updates
■ Employee acknowledgement ■ N/A

- COVID-19 Health & Safety — 99%
- Harassment & Discrimination — 47%
- Diversity, Equity, & Inclusion — 39%
- Mental Health — 38%
- Racial Justice — 17%

Tackling social issues of 2020 were steeped in compliance. Practically all employers took "material steps" to address COVID-19 in the workplace, which had major compliance implications. Outside of the pandemic, 47% addressed harassment and discrimination, another compliance-heavy aspect of a rising social movement.

It's worth mentioning that diversity, equity, and inclusion and mental health were moderately popular issues that employers took material steps to address in 2020. While both issues can have compliance implications, such as the connection between mental health and disability laws, they are foremost employee centric.

Compliance was more complicated in 2020. Staying on top of multiple layers of laws, addressing the pandemic, and knowing how to update assets like handbooks were major examples. But small employers are trying and arguably succeeding.
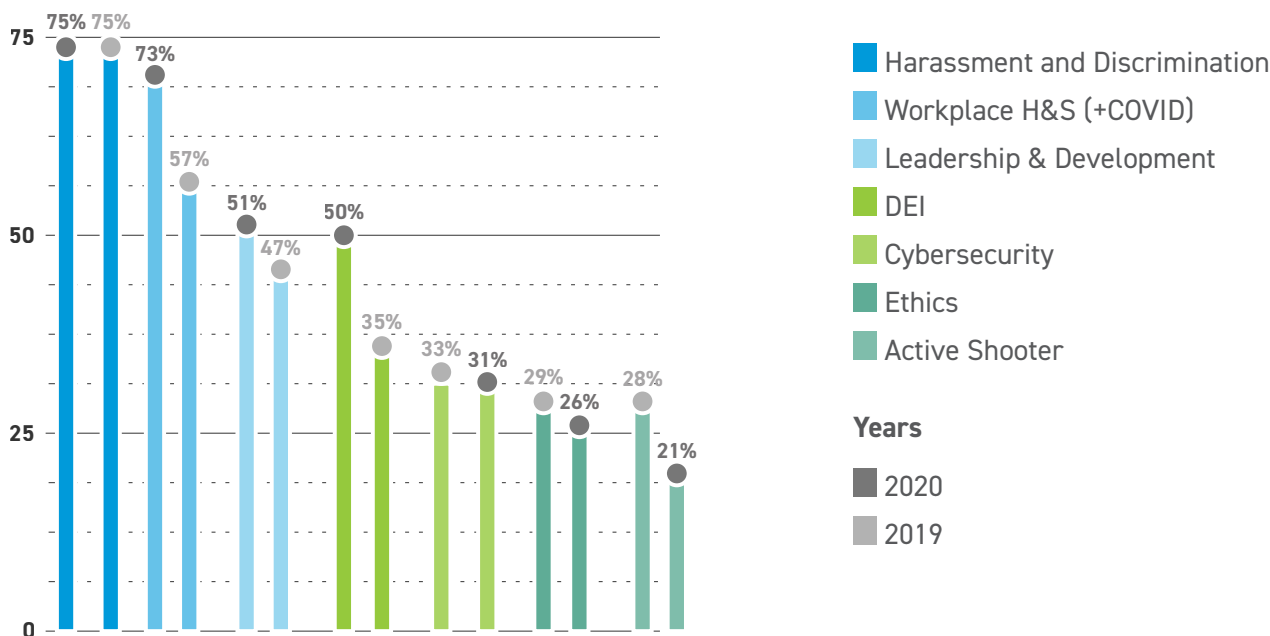
6 Employee Training

Employee training considers not only topics, but also mode of delivery, administration, and employee engagement.

96% of employers offered some form of training to their employees. Online training was the most popular method of delivery (78%).

For two years in a row, harassment and discrimination was the most popular training topic employers planned to deliver in the subsequent year (75%). Workplace health and safety numbers shot up considerably from last year (57% to 73%), earning it second place.

Diversity, equity, and inclusion also saw a big boost from last year (35% to 50%), which is consistent with a significant group of employers materially addressing it in their workplaces.

? Which topics do you plan to train employees on in 2021?

Chart — "Which topics do you plan to train employees on in 2021?"

Values (2020 / 2019):
- Harassment and Discrimination: 75% / 75%
- Workplace H&S (+COVID): 73% / 57%
- Leadership & Development: 51% / 47%
- DEI: 50% / 35%
- Cybersecurity: 33% / 31%
- Ethics: 29% / 26%
- Active Shooter: 28% / 21%

Legend:
- Harassment and Discrimination
- Workplace H&S (+COVID)
- Leadership & Development
- DEI
- Cybersecurity
- Ethics
- Active Shooter

Years
- 2020
- 2019

As was true last year, cost (83%) and quality of training content (78%) were the top two most important factors employers considered when evaluating training. Ease of use earned a strong third place rank (73%).

But it wasn't all smooth sailing. Ninety-one percent of employers had some difficulty with employee training, **namely keeping up with new compliance training requirements** and getting employees to complete their training.
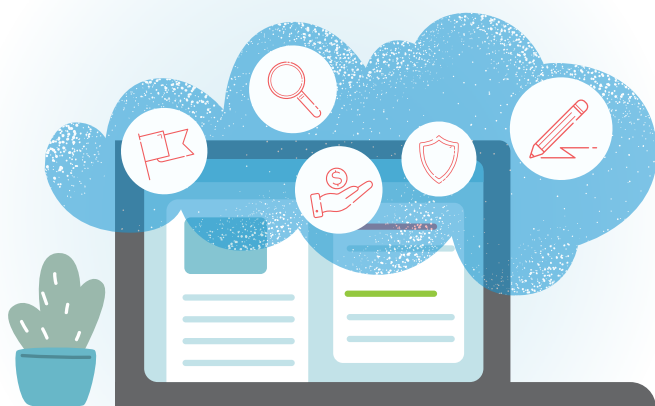
> As was true last year, cost (83%) and quality of training content (78%) were the top two most important factors employers considered when evaluating training."

Online training was the most popular method of delivery in 2020, harassment and discrimination continues to be the top training focus, and cost effectiveness and compliance were top considerations.
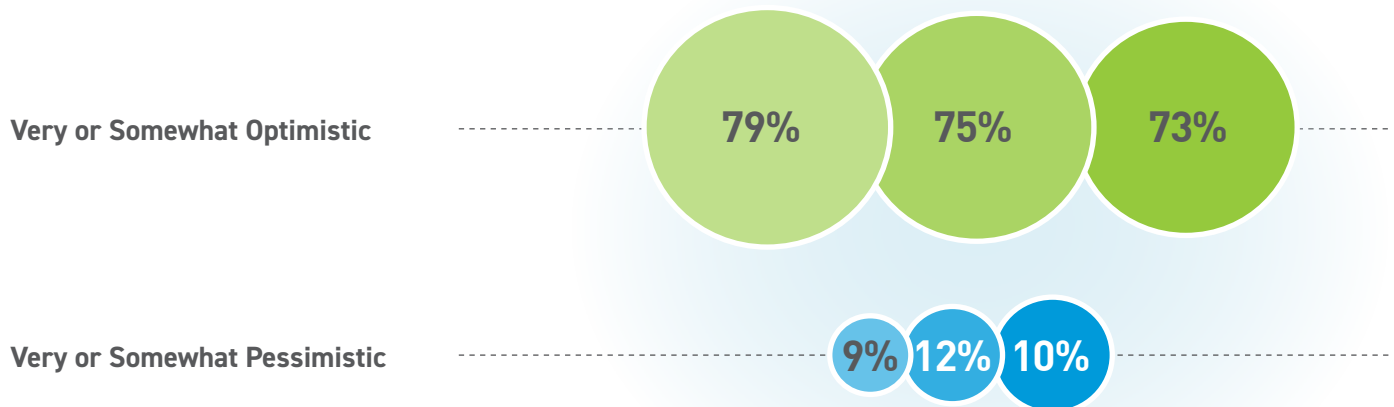
7 COVID-19

COVID-19 had a substantial impact on small businesses in 2020, but there is progress.

Most employers are feeling optimistic, but that's trending down from earlier in the year.

> "Human Resources has always been a challenging field, fraught with new laws to follow, interpersonal drama to solve, and organizational ebbs and flows. But we've learned that there's nothing quite like a global pandemic to shake up business as we know it, and make the day-to-day of HR look like child's play."
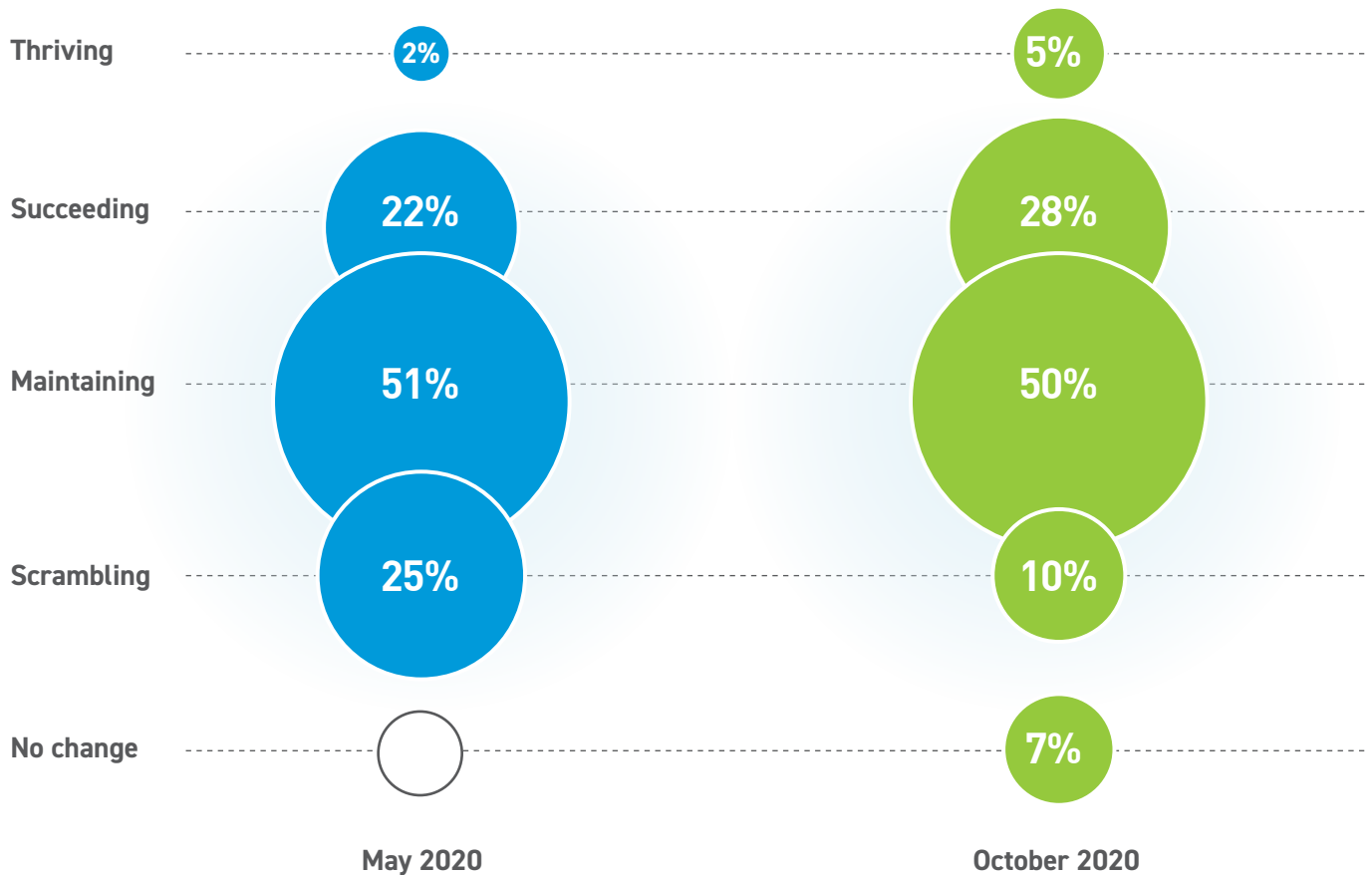>
> - Kara Govro, Senior Legal Editor, ThinkHR

? Which reflects your business outlook over the next year?

Very or Somewhat Optimistic

79%   75%   73%

Very or Somewhat Pessimistic

9% 12% 10%

- June 2020
- July 2020
- October 2020
- June 2020
- July 2020
- October 2020

?

How would you describe the current state of your HR department as a result of COVID-19?

|	May 2020	October 2020
Thriving	2%	5%
Succeeding	22%	28%
Maintaining	51%	50%
Scrambling	25%	10%
No change		7%

May 2020

October 2020

HR departments understand that they were challenged. But the data shows they are more successful and less hurried than before.

That's good because HR wants to accomplish big things. Despite the innumerable challenges of 2020, **employers are prioritizing employees over cost and profits in response to COVID-19**.
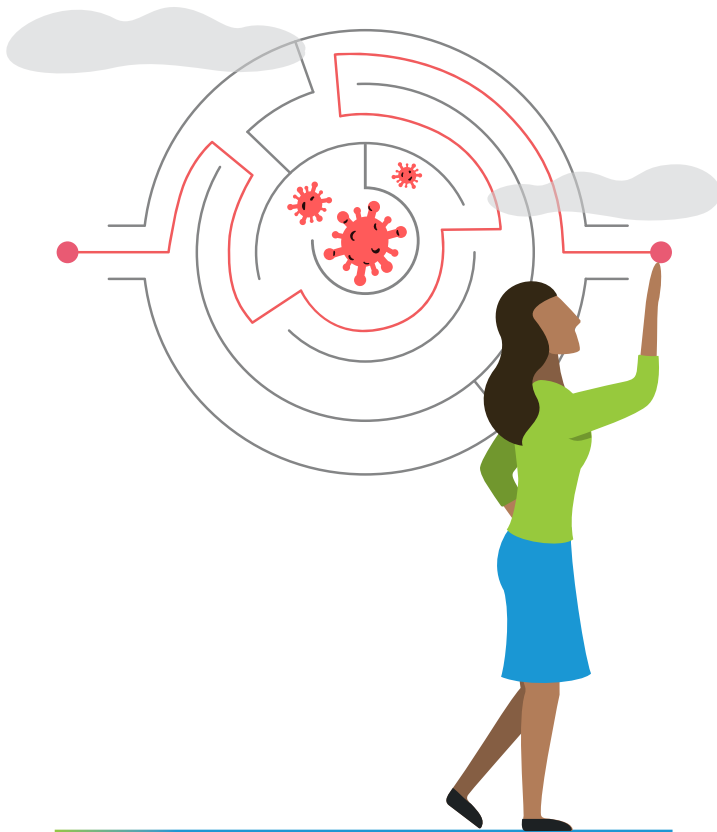
" That's good because HR wants to accomplish big things."

16

? **What are your HR priorities as a result of the pandemic?**

#1

#2

#3

#4

#5

#6
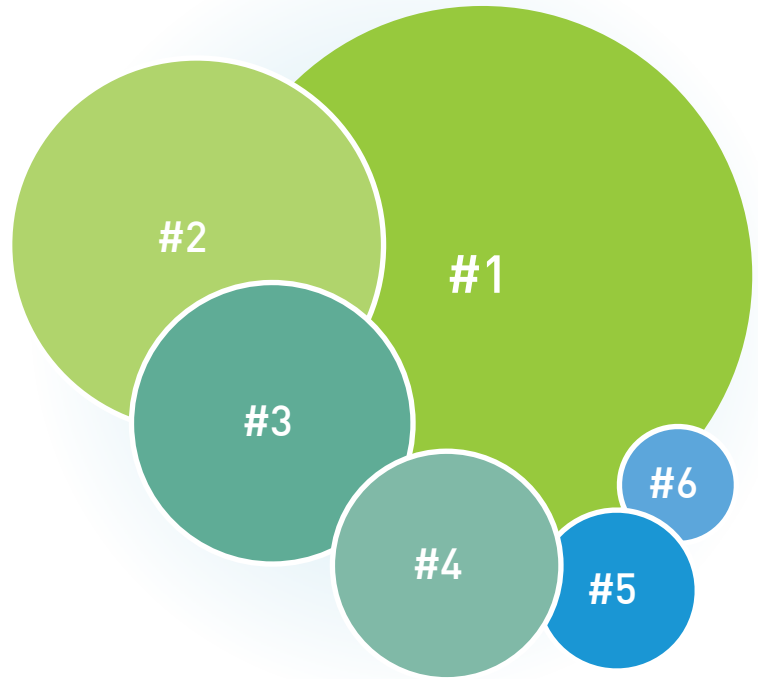
- 🟩 Employee wellbeing
- 🟩 Business continuity
- 🟩 Employee productivity
- 🟩 Compliance
- 🟦 Cost reduction
- 🟦 Terminations/layoffs

Conclusion

All bets were off in 2020.

But as much as we would like to think that 2021 will be easier for employers, history has shown it won't be. After-effects of a pandemic, new presidential administrations, and the normal course of human behavior all stand to dramatically impact how small to medium employers support employees above and beyond compliance.

But that's OK. ThinkHR is confident.

Because unlike before, technology (and the human beings behind it) exist to guide small employers through whatever comes in 2021 and beyond.

Methodology

ThinkHR's "2021 State of HR Report" was fielded from October 12, 2020 to November 9, 2020 through the "2021 State of HR Survey" ("Survey"). ThinkHR staff wrote the Survey questions, 49 in total.

Participation

2,225 professionals participated, yielding a completion rate of 77%. The average time for completion was 13 minutes. Participants' organizations were headquartered in 48 states and District of Columbia with employees represented from all 50 states and the District of Columbia.

2019 Data

Past data referenced in the 2021 State of HR Report came from ThinkHR's "2020 HR Technology & Benefits Report" which featured a survey group of a substantially similar demographic who answered certain questions that were asked again in the Survey. That report can be found here.

Disclaimer

We use the term "employer" to describe the participants who took the Survey. Survey results are only representative of the sample of organizations responding to the Survey. As a result, readers should take individual circumstances and experiences into consideration before using any data to make decisions.

Table data

Summaries of data outside of graphs or tables may round up or down <1%.

About

The combined entity of ThinkHR and Mammoth is a trusted provider of HR knowledge and technology-powered employer solutions. Together, the two companies deliver HR on-demand to hundreds of thousands of small- and medium-sized businesses nationwide.

Think HR

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