

APRIL 3-26, 2020



America's Economic Engine: The State of Small and Medium- Size Business During COVID-19

EMPLOYEE PRODUCTIVITY AND WELLBEING

A Message From Michael Mendenhall *SVP, Chief Marketing Officer and Chief Communications Officer, TriNet*

There is no playbook for this pandemic. Everyone is adapting as they go—and it is undeniably challenging. That is why TriNet, a leading provider of comprehensive human resources solutions, teamed with The Harris Poll to conduct a series of industry-wide pulse surveys to better understand the broad COVID-19 sentiment, beyond our own small and medium-size business (SMB) customers.

The results of the first three were summarized in our initial report which focused on cash flow and confidence of the SMB community. We found that despite the challenges, SMB optimism was surprisingly resilient. The results of the next four waves of surveys are summarized in this report focused on productivity and employee wellbeing. Surveys were conducted April 14–26 and included more than 700 SMBs with an employee base between 5–249 employees.

In this latest effort we sought to uncover how SMB business owners were balancing productivity with employee work life balance, especially during a crisis like COVID-19. The findings were both illuminating and gratifying.

We found that in the face of the crisis, the majority of SMBs (58%) were investing in the health of their workforce by adjusting healthcare benefits or offering guidance to employees. Further, 92% have made efforts to shift to a remote workforce as a result of the COVID-19 pandemic. Eight in ten of SMBs have taken actions to enhance employee wellbeing, with the most common and effective of these actions is allowing for the flexibility to balance the new work/home life conditions. And, lastly, the majority of SMBs (71%) have made HR changes, or plan to make them, as a result of the pandemic.

As you read the survey results, I am sure you will agree that these are powerful insights. Insights that can help provide guidance and result in meaningful actions in the weeks and months ahead.

SMBs are critical to the US economy and generate nearly half of US Gross Domestic Product while employing the majority of the workforce. At TriNet, it is our privilege to serve SMBs—whether it's business as usual, or something as unprecedented as COVID-19.

Regards—



Michael Mendenhall
SVP, Chief Marketing Officer and
Chief Communications Officer
TriNet

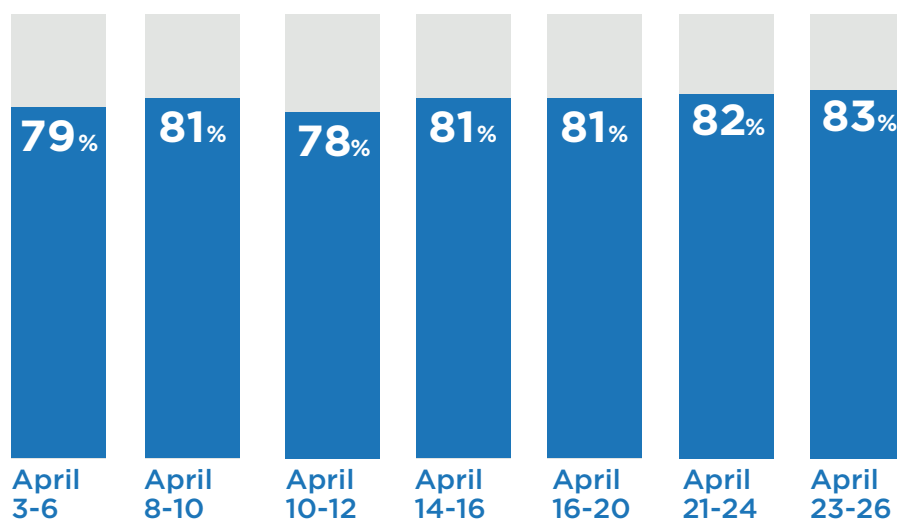


The COVID-19 pandemic continues to have sweeping effects across the US, including for small- and medium-sized businesses. Although revenues are still down and layoffs continue, SMB leaders are planning for the future by making strategic and targeted investments in the health and wellbeing of their workforce.

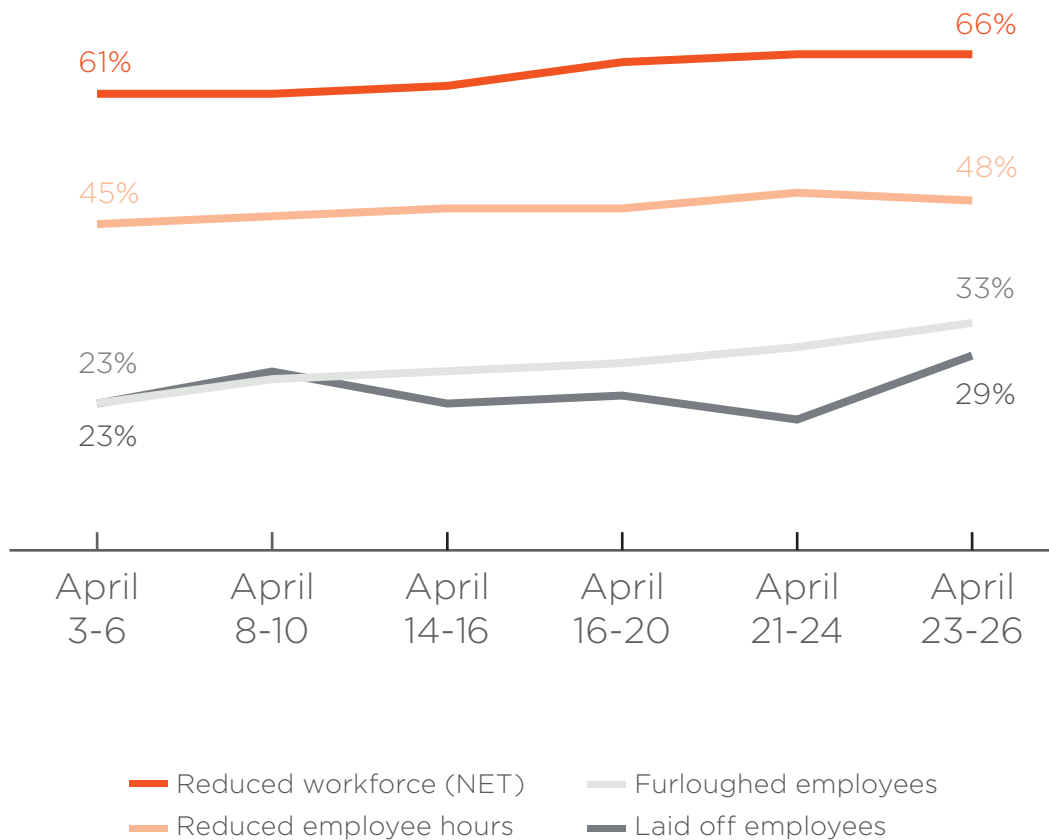
The pandemic has underscored the importance of a strong HR function for SMBs. In order to protect employee health, improve morale, and enable productivity during the crisis, SMB leaders are relying on these crucial HR functions to support employees through uncertain and stressful times. They are investing in the wellbeing of their workforce by taking concrete steps to protect employee health.

As of the last week in April, revenue is down for over 8 in 10 SMBs (83%), and 2 in 3 SMBs (66%) have reduced their workforce as a result of the pandemic, either by reducing hours, furloughs, or layoffs.

% of SMBs whose **revenue is down** since the start of **pandemic-related changes**

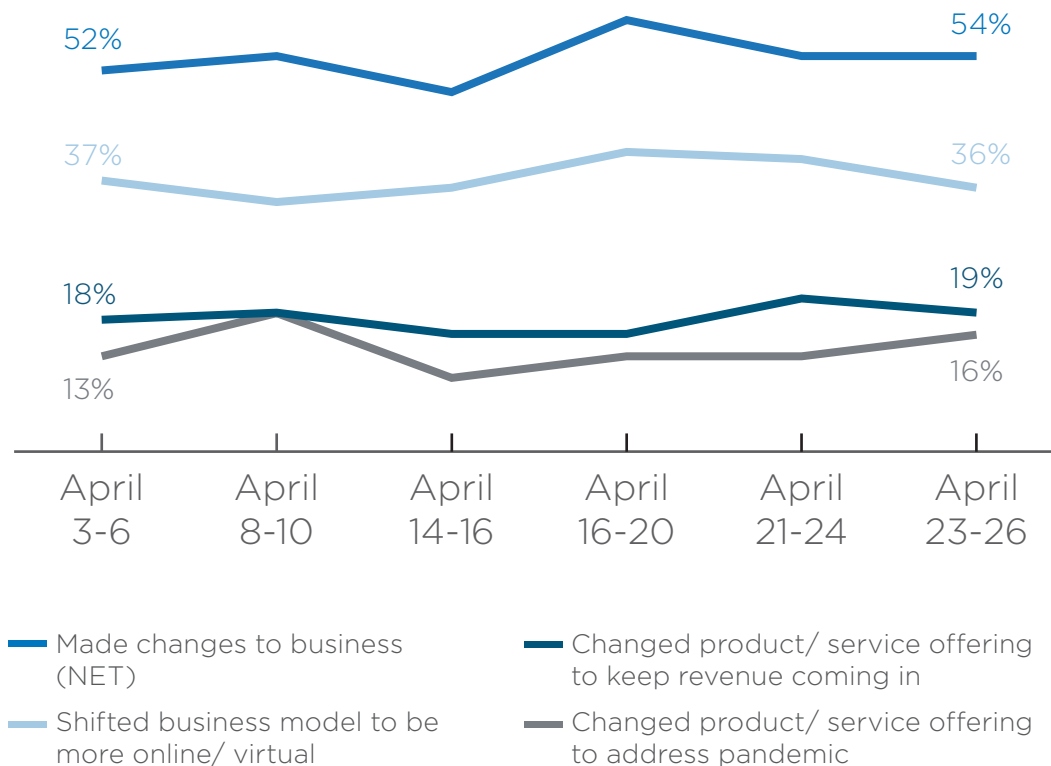


Which, if any, of the following **have you experienced** in recent weeks as a **result of the Coronavirus pandemic?**



By the end of April, more than half of SMBs (54%) had made strategic business changes, including shifting their business model to be more online/virtual, or changing their product or service offerings to keep revenue coming in or to address the unique needs arising from the pandemic.

Which, if any, of the following **have you experienced** in recent weeks as a **result of the Coronavirus pandemic?**

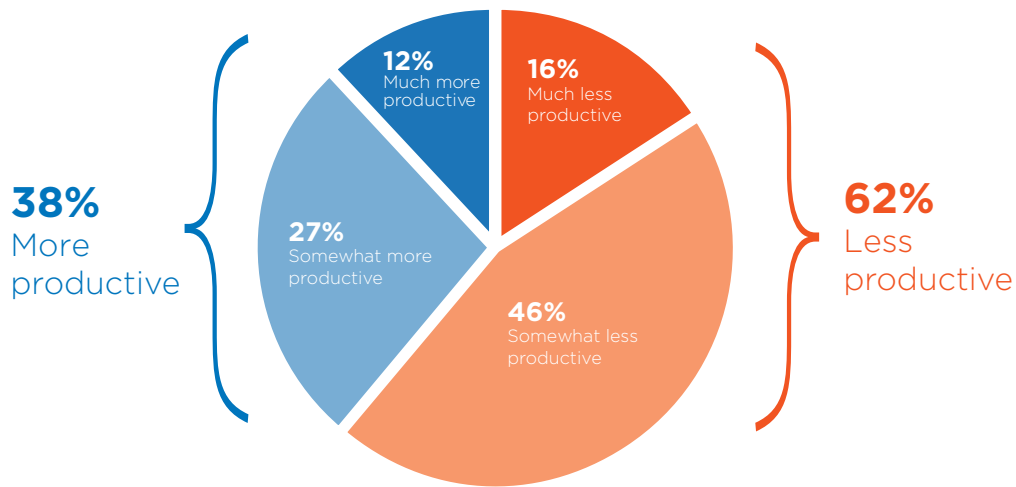


Shifting a business model to be more online/ virtual is one thing; but rapidly shifting business processes to enable a remote workforce is another. This experience is nearly ubiquitous among SMBs: 92% of SMBs have made efforts to shift to a remote workforce as a result of the COVID-19 pandemic.

While 75% of those say shifting to a remote workforce has been challenging, 65% wish they had moved to a remote model earlier. SMB leaders have taken the following actions to support a remote workforce:

- 43% of SMBs are scheduling daily video check-ins with employees
- 40% have purchased or upgraded a video conferencing license (such as Zoom or GoToMeeting)
- 28% are offering virtual social engagements (such as virtual happy hours, coffee breaks, etc.) with other employees
- 26% have purchased laptops or computers
- 13% have hired/ contracted additional IT support

To what extent do you think the **recent change to working remotely** has made your employees **more or less productive**?



The majority of SMB leaders (62%) say that productivity has gone down with the recent changes.

However, with the greatest current challenge being morale (24% selected it as the single biggest challenge they're facing), and the majority (65%) wishing they had gone remote earlier, this suggests the issue isn't remote work itself, but rather the experience of shifting so quickly to a remote model in the midst of a global pandemic.

Other challenges more commonly associated with remote working, such as fostering a strong company culture, teamwork/collaboration, and tracking employee performance, aren't rising to the top in terms of significant challenges for SMBs during the crisis, shedding further light on how the pandemic itself and the pressure of quickly shifting to a remote model may be causing this productivity drop, rather than working remotely itself.

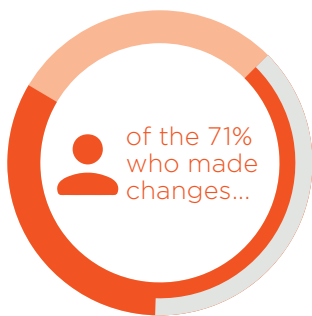
Once the pandemic subsides, 15% expect that all of their employees will remain working remotely, 52% expect that some will remain remote, and 33% say none of their employees will stay working remotely when the crisis is over.

What would you say is the **single biggest challenge** to managing your workforce during the pandemic?

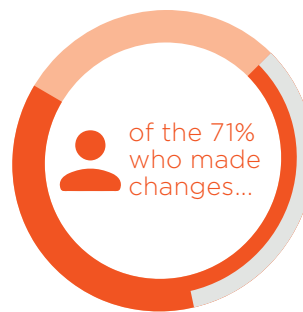


Business models and product/ service offerings aren't the only adjustments. Most small- and medium-sized businesses (SMBs) say the COVID-19 pandemic will change the way their business approaches HR in the future, especially when it comes to improving employee morale and health/ safety.

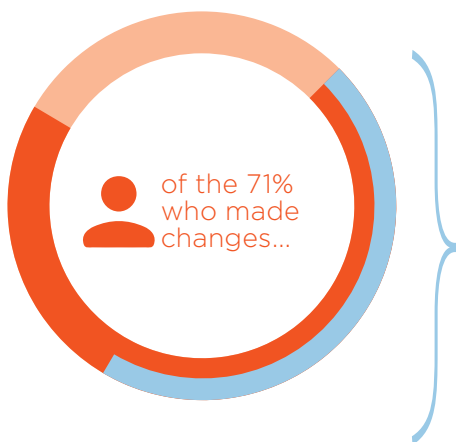
7 in 10 (71%) of SMBs have made HR changes, or plan to make them, as a result of the pandemic. Of these, the most common changes center around improving staff morale, health, and safety:



48%
are making a concentrated effort to **enhance staff morale**



42%
are ramping up employee **health and safety programs**



65%

of these SMB leaders planned or implemented changes to optimize HR capabilities, including:

- Reorganization of the company structure (38%)
- Changing to outsourced HR functionality/ PEO (26%)
- Providing additional training/ education for HR talent (24%)
- Hiring/ contracting additional HR talent (22%)

Most SMBs have taken concrete actions to enhance employee wellbeing during the COVID-19 pandemic. The most common and effective of these actions has been allowing for the flexibility to balance the new work/home life conditions. All things considered, the majority of SMB employees remain optimistic in light of the pandemic.

Eight in 10 (82%) of SMBs have taken actions to enhance employee wellbeing. Of all those who have taken these actions:



INCREASED FLEXIBILITY

56%

have increased flexibility for employees to balance new work/ home life situations



SOCIAL SUPPORT

33%

have increased visibility of the leadership or management team

30%

have offered virtual gatherings, such as happy hours, coffee breaks, book clubs, etc.

Other actions taken by **these SMB leaders include:**



MENTAL, PHYSICAL, AND FINANCIAL HEALTH

27%

have provided stress management information

20%

have provided financial education information, such as 401K, etc.

21%

have offered meditation/ mindfulness courses or activities

16%

have initiated fitness challenges



SUPPORT FOR PARENTS

26%

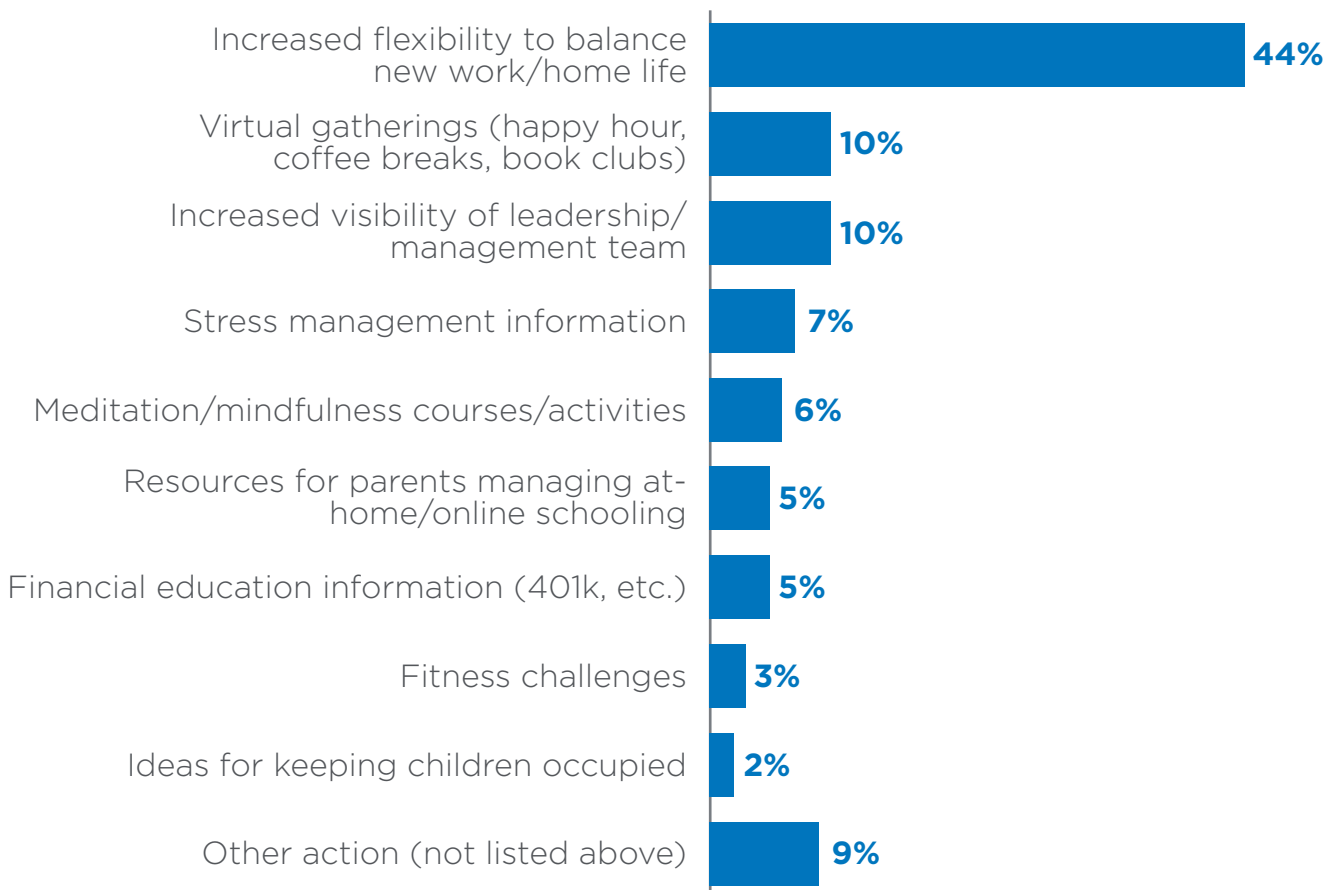
have offered resources for parents managing at-home/ online schooling

16%

have provided ideas for keeping children occupied

Of all the efforts to enhance employee wellbeing, increasing flexibility to help employees balance their new work/home life is judged by SMB leaders as the most effective in the current climate: 44% of SMBs cited this as the single most effective action taken.

Which **ONE action** do you think has been most effective in **enhancing employee wellbeing** during the pandemic?



Overall, three quarters (74%) of SMBs say that most or all of their employees have taken advantage of the new employee wellbeing offerings.

Throughout all of this, SMB leaders are keeping their employees' interests top of mind. 3 in 5 (58%) of SMBs are investing in the health of their workforce by adjusting healthcare benefits or offering guidance to employees. When it comes to short-term healthcare coverage, leaders are primarily concerned about the cost to the employee (22% say this is the most important consideration), the cost to employer (21%), and availability/eligibility (18%).

The CARES Act

Provisions in the CARES Act allowed insurers and policy-holders to add benefits or reduce cost-sharing mid-year in light of COVID-19.



4 in 10

SMBs have changed their healthcare benefits to respond to the pandemic (39%). Of those who have made changes, these include:

- Extending healthcare coverage to laid off employees (53%)
- Offering telemedicine (38%)
- Increasing employee assistance programs (37%)
- Offering short-term medical plans (32%)



53%

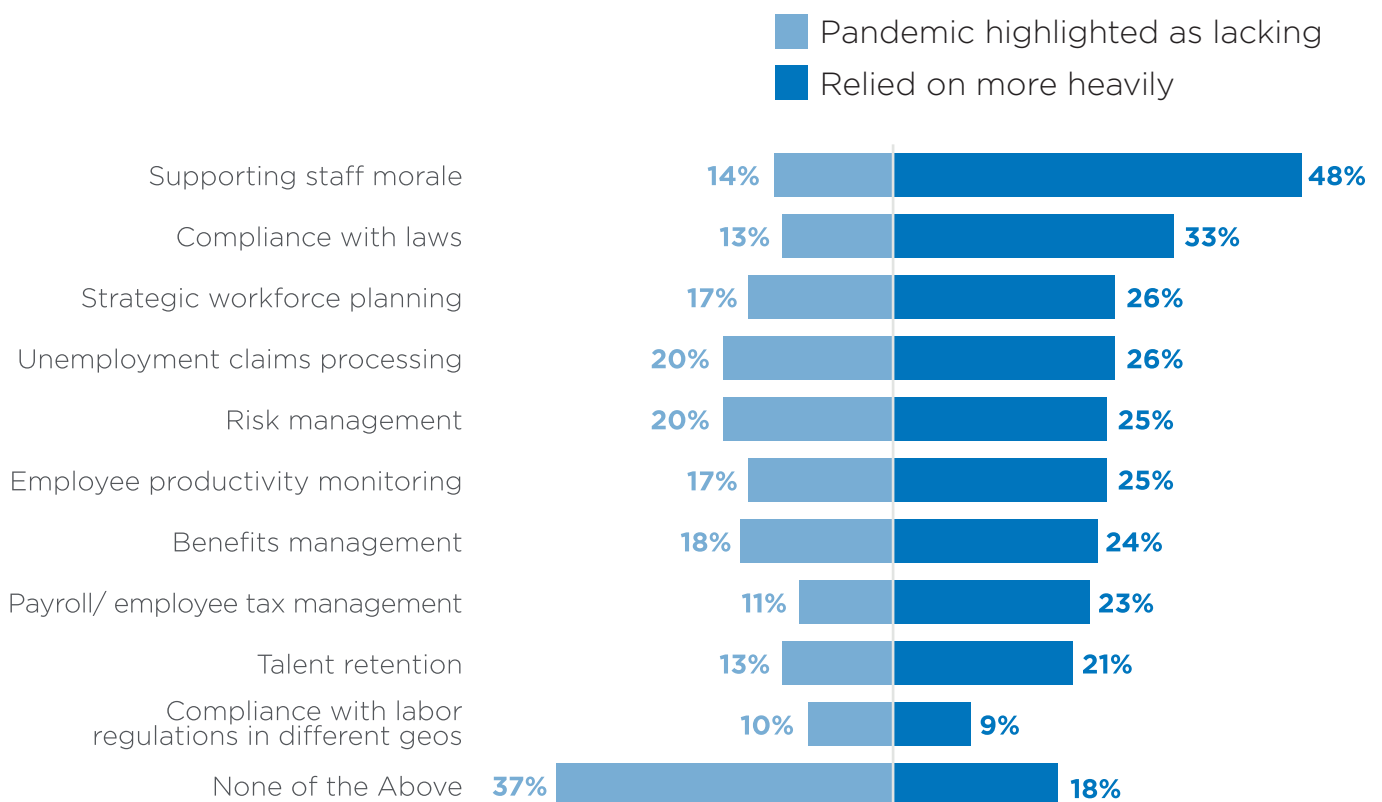
of SMBs are offering at least some form of guidance for employees that are losing healthcare coverage as a result of the pandemic. Of those who are offering, this guidance includes helping employees navigate:

- Affordable Care Act plans (51%)
- COBRA (37%)
- Short-term medical (36%)
- Telemedicine (32%)

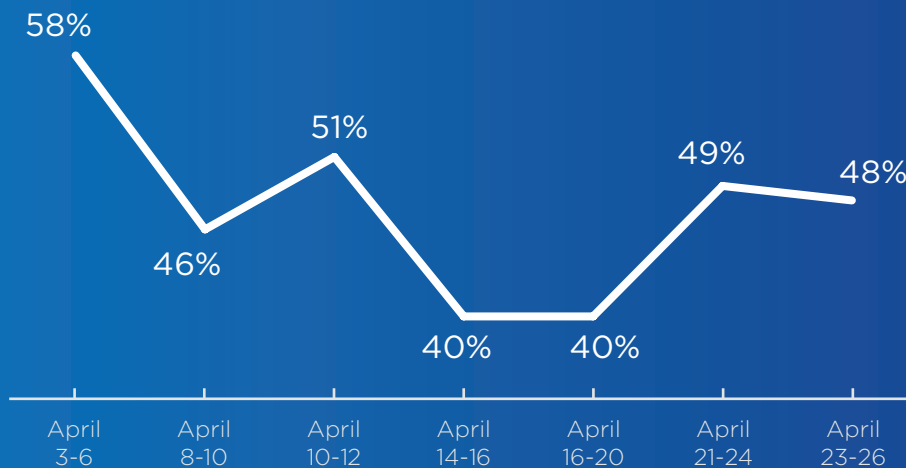
With the pandemic revealing some aspects of their current HR capabilities as lacking, SMB leaders recognize the need for additional HR support as they move forward. 51% of SMB leaders feel that their HR capabilities are being overloaded because of the pandemic, and 63% say the pandemic has highlighted aspects of their business's HR as lacking.

The most common aspect of HR that SMBs have relied on more heavily in the face of the pandemic is efforts to **support staff morale** (48% relied on supporting staff morale more heavily). In contrast, the aspects that SMB leaders most often cited as lacking have to do with the unique challenges of this crisis. 1 in 5 SMB leaders said the pandemic highlighted a lack of HR capability when it comes to dealing with unemployment claims processing, and 1 in 5 also said the same about risk management.

What aspects of HR has your business **relied upon more heavily** in the face of the pandemic/ did the **pandemic highlight as lacking**?



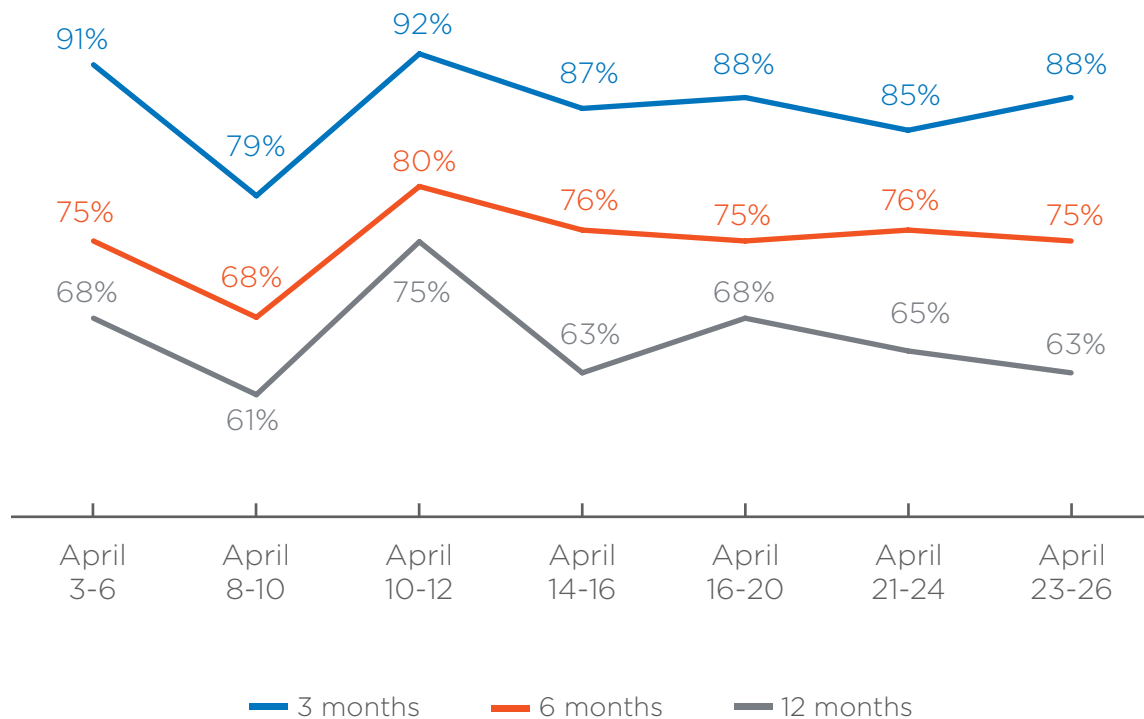
Strongly/ somewhat agree
that the **government is doing
enough to support SMBs**
during this difficult time.



While SMB leaders are making changes to support their employees, they do not feel that insurance companies or the government are stepping up to the plate.

The majority (58%) of SMB leaders feel that insurance carriers are not doing enough to support businesses like theirs during this time. By the end of April, more than half (52%) of SMB leaders now feel the same way about the government— that it is not doing enough to support businesses like theirs (only 48% think enough is being done). This perception of government support for SMBs has continued to rise and fall with the news cycle during the month of April, with the lowest point corresponding to news that the Paycheck Protection Program (PPP) had run out of money to offer SMBs, then an uptick in confidence following legislation to infuse additional funds into the program.

Given the current circumstances,
how confident are you that your
business will survive for another...

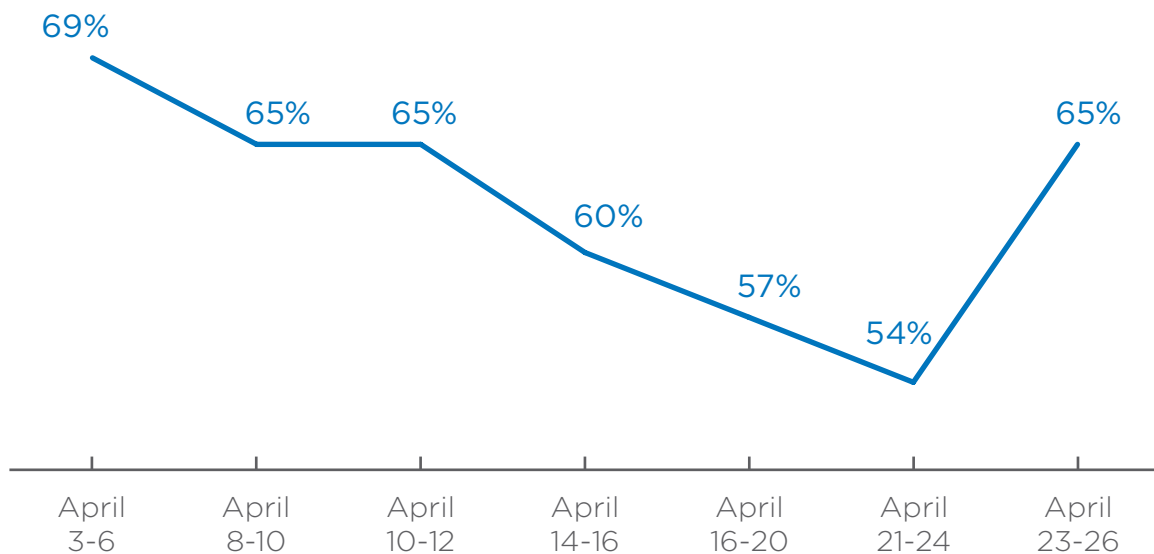


What's clear is that while SMB leaders are facing these challenges head on, the investments they're making appear to be paying off in terms of the employees' outlook: 57% of SMB leaders would say their workforce remains optimistic in light of the current circumstances.

SMB leaders themselves maintain an overall positive outlook in the own business's ability to survive the next several months, with 3 in 4 remaining steady in their confidence that their business will survive for another 6 months.

SMB leaders are stalwart in their confidence in the US economy as whole. That confidence did slip somewhat throughout the month of April, but a gradually rebounding stock market, and an additional \$484 billion in stimulus funding signed into law on April 24, caused a surge in optimism toward the end of the month. By April 26, two in three (65%) SMB leaders remained confident that the US economy will recover in the next 12 months.

Given the current circumstances, **how confident** are you that the **U.S. economy will recover** in the next 12 months?



Methodology

TriNet is partnering with The Harris Poll to conduct an ongoing series of surveys with business leaders in companies of 5 to 249 employees. Business leaders are qualified as either owners/partners or C-level executives. Quotas are set by company size and industry for each wave.

The data collected in this paper covers seven separate surveys conducted from April 3 to 26, 2020. Actual distribution by company size and industry for each of these waves is as follows:

	Total SMB leaders surveyed	5-19 employees	20-99 employees	100-249 employees	Main Street industries ¹	Non-Main Street industries ²
April 3-6, 2020	150	49	76	25	50	100
April 8-10, 2020	195	66	98	31	55	140
April 10-12, 2020	199	67	99	33	53	146
April 14-16, 2020	186	67	88	31	49	137
April 16-20, 2020	191	67	91	33	53	138
April 21-24, 2020	178	67	83	28	52	126
April 23-26, 2020	189	67	89	33	54	135

¹Such as automotive, construction, hospitality, manufacturing, real estate, retail, skilled trade, etc.

²Including Technology, Financial Services, Professional Services, Life Sciences, and Non-Profit industries

This online survey is not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated.

About TriNet

TriNet (NYSE: TNET) provides small and medium size businesses (SMBs) with full-service HR solutions tailored by industry. To free SMBs from HR complexities, TriNet offers access to human capital expertise, benefits, risk mitigation and compliance, payroll and real-time technology. From Main Street to Wall Street, TriNet empowers SMBs to focus on what matters most—growing their business.

Go to **TriNet.com** to get started or speak with a TriNet representative at **888.874.6388**.

About The Harris Poll

The Harris Poll is one of the longest-running surveys in the U.S., tracking public opinion, motivations and social sentiment since 1963. It is now part of Harris Insights & Analytics, a global consulting and market research firm that strives to reveal the authentic values of modern society to inspire leaders to create a better tomorrow. We work with clients in three primary areas; building twenty-first-century corporate reputation, crafting brand strategy and performance tracking, and earning organic media through public relations research. Our mission is to provide insights and advisory to help leaders make the best decisions possible.