COVID-19 upended employee expectations – now companies must adapt

Key takeaways:

– Most sectors saw a decrease in employees leaving their jobs voluntarily in 2020 as more workers than usual opted to stay in their current position, the 2021 S&P Global Corporate Sustainability Assessment shows.

– Many of the sectors hit hard by the Great Resignation in 2021 are the least prepared to offer employees health and wellness programs that gained prominence during the pandemic, like flexible working hours and work from home arrangements.

– Understanding the factors that motivate staff to stay with their employers will remain a key challenge for companies seeking to improve retention and bolster their human capital management practices.

The start of the COVID-19 pandemic in 2020 dealt a blow to the world's economies and prompted many people to rethink their work-related priorities. That ultimately led many employees to leave their jobs or switch career tracks in 2021 in a global trend dubbed the Great Resignation.

But before this onslaught of resignations, the uncertainty of the pandemic caused many people to hold onto their jobs. An analysis of the 2021 S&P Global Corporate Sustainability Assessment, or CSA, shows that 2020 marked a dramatic decrease in employees leaving their jobs voluntarily.

Those deferred job changes as well as a variety of other factors contributed to the soaring number of employees globally who switched jobs and careers in 2021.[1] This trend has been particularly apparent in the U.S., where the Bureau of Labor Statistics has measured a sharp spike in the number of "quits" in 2021. Economic research from S&P Global Ratings has found that the U.S. labor participation rate is at a 45-year low.[2]

A host of factors led to the Great Resignation. With the arrival of COVID-19, companies suddenly had to rethink employee safety and benefits. The pandemic caused a similar reckoning for employees facing significant disruption to their lives. Many people worldwide began working from home and many also faced sudden new responsibilities on the home front, like caring for children doing remote schooling or caring for aging family members as care facilities closed.[3] Frontline workers and other employees who cannot do their jobs remotely suddenly faced the new health risks presented by COVID-19, as well as the added stress of working through a pandemic. These issues, along with worker burnout, opportunities to switch to companies with better pay or benefits, and the increasing tendency of the younger workforce to want to work at companies that align with their values, all contributed to the ongoing Great Resignation.[4]

Our goal in this article is to show how trends demonstrated in the new CSA data set the stage in 2020 for this tumultuous labor market

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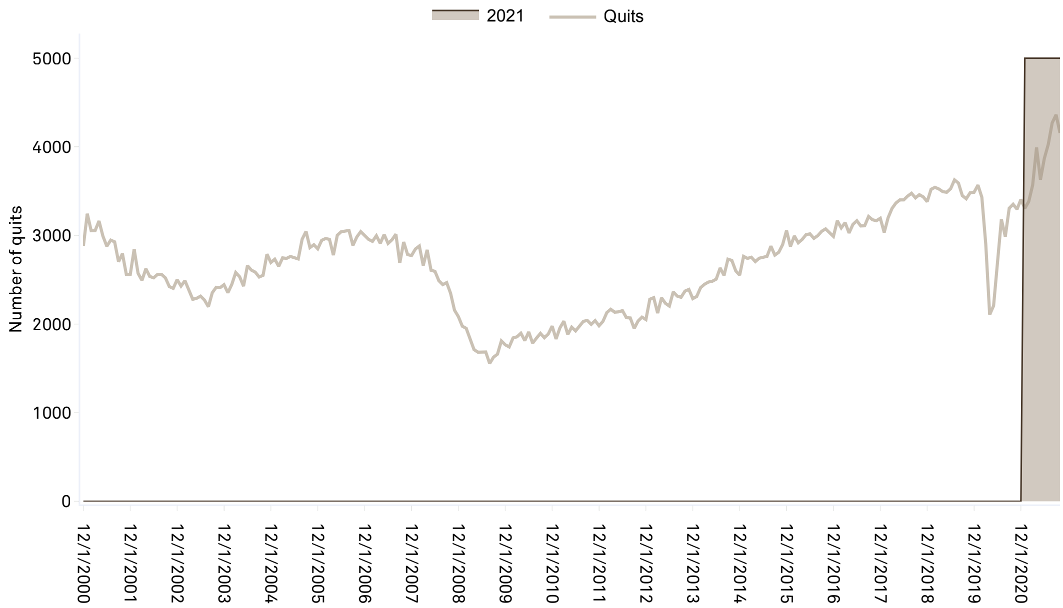
[1] "The 'Great Resignation' goes global," The Washington Post, Oct. 18, 2021, https://www.washingtonpost.com/world/2021/10/18/labor-great-resignation-global/.

[2] "Labor Force Exit Has The U.S. Economy In A Bind," S&P Global Ratings, Nov. 22, 2021.

[3] "Companies Expand Family-Friendly Policies, But Focus Favors Parents Over Caregivers," S&P Global, 2020, https://www.spglobal.com/en/research-insights/featured/companies-expand-family-friendly-policies-but-focus-favors-parents-over-caregivers.

[4] "Record job departures, soaring pay herald a low-wage worker revolution," S&P Capital IQ Pro, Nov. 30, 2021, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/record-job-departures-soaring-pay-herald-a-low-wage-worker-revolution-67785752.

The number of US workers quitting spiked in 2021



Data as of October 2021. The U.S. Bureau of Labor Statistics metric "quits" is similar to voluntary turnover except that quits exclude retirements or transfers. Source: Economic Policy Institute analysis of Bureau of Labor Statistics Job Openingsand Labor Turnover Survey, S&P Global Sustainable1.

in 2021, and to highlight the industries best prepared to offer the kinds of benefits that workers are seeking in an era still defined by the coronavirus pandemic. In some cases, the CSA showed that companies offering flexible hours, work from home arrangements and childcare assistance saw fewer employees leaving voluntarily compared to companies that did not offer those programs. This analysis of CSA data covers more than 500 companies that in 2020 had a combined total of about 12.2 million full-time employees.

Learning to navigate the new landscape of employee expectations is becoming a necessity for companies as workers, regulators and investors alike demand a greater focus on human capital management – a term that broadly refers to how a firm treats its employees. In the U.S., for example, the Securities and Exchange Commission is developing a rule that requires publicly traded companies to disclose human capital management information.[5] Large shareholders are already pushing for this kind of transparency: State Street Global Advisors in January 2021 told companies in its portfolios it expects them to disclose their human capital management practices and long-term strategy.

Workers avoided big job changes in 2020

On a global scale, corporations in 2020 saw their voluntary turnover rate dip by 12.6% compared to the prior three-year annual average, foreshadowing a bump in job changes in 2021. Voluntary turnover refers to the proportion of employees who choose to leave an organization for reasons like resignation or retirement over a set

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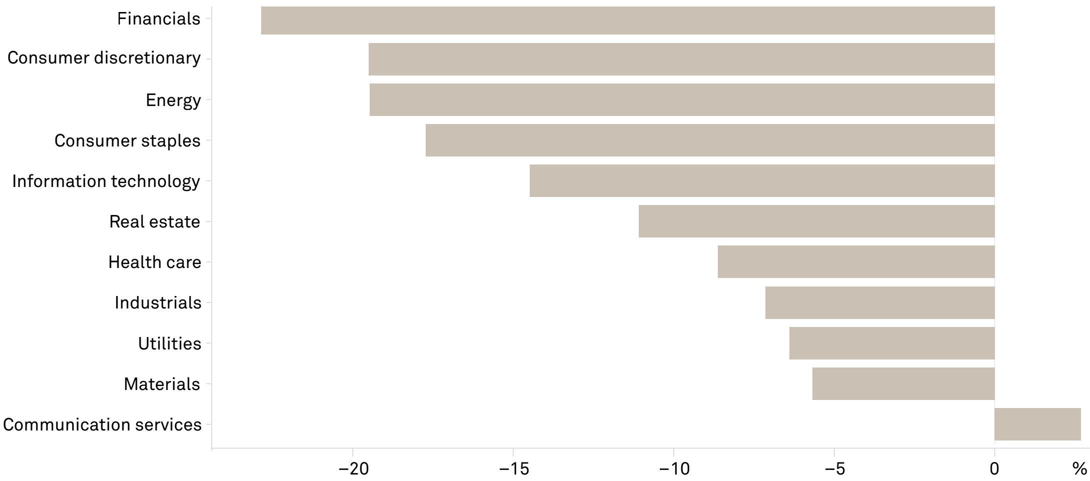
[5] "Top US financial regulator faces big questions in move to mandate ESG disclosures," S&P Global Sustainable1, Sept. 8, 2021, https://www.spglobal.com/esg/insights/top-us-financial-regulator-faces-big-questions-in-move-to-mandate-esg-disclosures.

Fewer people left their jobs voluntarily in 2020 compared to the past 3 years
Change in voluntary turnover in 2020 vs. prior three-year average



Data as of November 2021. Voluntary turnover refers to the proportion of employees who choose to leave an organization (e.g., resignation, retirement, early retirement) over a set period expressed as a percentage of the total employees. The figure is as reported by companies. Change in voluntary turnover is calculated as the change in voluntary turnover in 2020 versus the prior three-year average. Negative numbers represent a lower turnover rate, or more employees retained. Results based on responses from 516 companies. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

On a global scale, corporations in 2020 saw their voluntary turnover rate dip by 12.6% compared to the prior three-year annual average, foreshadowing a bump in job changes in 2021.

period expressed as a percentage of total employees. A negative change in turnover rate means fewer people left their jobs voluntarily

In our analysis, almost all sectors experienced a strong decrease in the voluntary turnover in 2020, with financials, consumer discretionary, energy and consumer staples showing decreases steeper than 15% compared to the three previous years.

Only the communication services sector, which includes interactive media, home entertainment and telecommunication services companies, saw a slight increase in employees leaving voluntarily in 2020 compared to the prior three years.

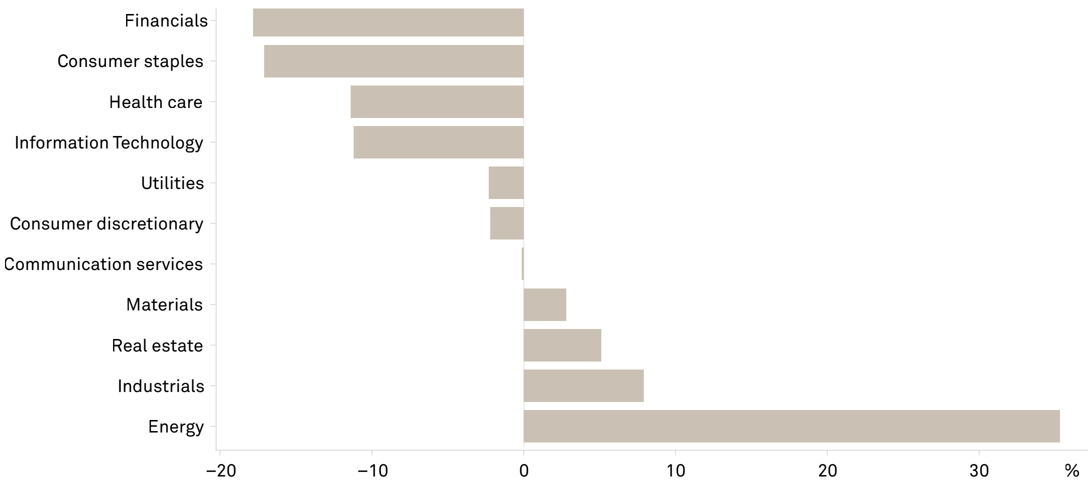
Total turnover rates were lower for several sectors in 2020

While a higher share of employees chose to hold on to their current jobs in 2020, about half of the sectors reviewed saw an increase in total turnover compared to the prior few years. Total turnover refers to the proportion of employees who leave an organization for any reason over a set period, expressed as a percentage of the total employees. As such, a decrease in total turnover, expressed as a negative number in the charts, indicates that fewer employees left the company in 2020 compared to the past three years.

It wasn't just companies in the sectors hardest hit by the pandemic, such as consumer, entertainment and leisure and hospitality, that were furloughing and laying off employees in 2020.[6] CSA data also suggests that high layoffs occurred in other sectors. In industrials, real estate, materials and energy, there was a decrease in voluntary turnover alongside an increase in total turnover.

Total workforce turnover varied widely in 2020 compared to the past 3 years

Change in total turnover in 2020 vs. prior three-year average



Data as of November 2021. Voluntary turnover refers to the proportion of employees who choose to leave an organization (e.g., resignation, retirement, reason over a set period, expressed as a percentage of the total employees. The figure is as reported by companies. Change in total turnover is calculated as the change in total turnover in 2020 versus the prior three-year average. Negative numbers represent a lower turnover rate, or more employees retained. Results based on responses from 516 companies. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

The energy sector, which saw a 19% decrease in voluntary turnover rates, experienced a 35% increase in total turnover in 2020 compared to the prior three years – with the difference likely representing an uptick in layoffs in 2020.

The pandemic hit the energy sector especially hard as lockdowns caused demand for fossil fuels for ground and air transportation to plummet.[7] This prompted oil and gas producers to cut billions of dollars in capital spending.[8] As of August 2020, the U.S. oilfield services sector alone had lost more than 100,000 jobs since the start of the pandemic, dropping the sector to its lowest employment levels since March 2017.[9]

Other sectors with an increase in total workforce turnover in 2020 compared to the prior period included industrials (up by 7.9%), real estate (up by 5.1%) and materials (up by 2.8%).

[7] "No place to go: Oil storage filling up amid collapsing demand, excess production," S&P Capital IQ Pro, April 6, 2020, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/no-place-to-go-oil-storage-filling-up-amid-collapsing-demand-excess-production-57865154.

[8] "UPDATE: Oil price war fallout: Capital spending cuts sweep through shale," S&P Capital IQ Pro, April 7, 2020, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/update-oil-price-war-fallout-capital-spending-cuts-sweep-through-shale-57505881.

[9] "Oilfield services sector job losses surpass 100,000 since start of pandemic," S&P Capital IQ Pro, Sept. 9, 2020, https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/oilfield-services-sector-job-losses-surpass-100-000-since-start-of-pandemic-60264764.

Companies in most regions saw a decline in employee turnover rates in 2020

Region	Average change in voluntary turnover in 2020 vs. prior three-year average	Average change in total turnover in 2020 vs. prior three-year average
Asia-Pacific	-8.03%	2.95%
Europe	-8.03%	-5.03%
Latin America	-19.90%	-9.57%
North America	-20.08%	-9.62%

Data as of November 2021.
Voluntary turnover refers to the proportion of employees who choose to leave an organization (e.g., resignation, retirement, early retirement) over a set period expressed as a percentage of the total employees. Total turnover refers to the proportion of employees who leave an organization for any reason over a set period, expressed as a percentage of the total employees. Voluntary and total turnover figures are as reported by companies. Results based on responses from 511 companies. Africa was excluded from this regional analysis due to a small universe of companies with relevant data. Negative numbers represent a lower turnover rate, or more employees retained. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

Voluntary turnover lowest in North America in 2020

Overall, for all four regions included in the analysis – Asia-Pacific, Latin America, North America and Europe – voluntary turnover rates decreased more than total turnover rates in 2020 compared to the prior period. Africa was excluded from this regional analysis due to a small universe of companies with relevant data. The only region of the four that saw an increase in total turnover in 2020 compared to the past period was Asia-Pacific.

The average voluntary and total turnover rates of North American companies were significantly lower in 2020 compared to the prior three-year period.

Countries around the world have taken steps to provide discretionary fiscal measures to help their citizens and businesses recover from the economic impacts of the pandemic. For example, from January 2020 through late September 2021, the U.S. government provided federal discretionary fiscal spending and foregone revenues equivalent

There are still millions of people around the world who haven't returned to the labor force since the pandemic started.

to 25.5% of its 2020 GDP, according to the International Monetary Fund.[10] The CSA data shows that companies in the U.S. saw a 9.2% average decrease in total turnover in 2020 compared to the prior three years.

And while U.S. government programs such as extended unemployment benefits may have helped ease some of the economic impacts on workers who were laid off, a November 2021 study by S&P Global Ratings suggests that workers were reluctant to return to the workforce even when those benefits ended.[11] "The reason workers aren't filling jobs today seems to stem more from the decision to drop out of the workforce entirely, indicating a structural shift rather than a temporary change," S&P Global Ratings wrote.

Corporate health and wellness programs can help with employee retention

An analysis of CSA data for 2020 compared to the prior three years shows that companies that had certain health and wellness programs tended to see slightly fewer employees leaving voluntarily than those that did not offer those programs. These programs include flexible hours, work from home arrangements and childcare assistance.

To be sure, other factors likely influenced turnover rates. For example, COVID-19 and the economic uncertainty it caused may have played a bigger role in employees holding onto their jobs in 2020 than health and wellness benefits.

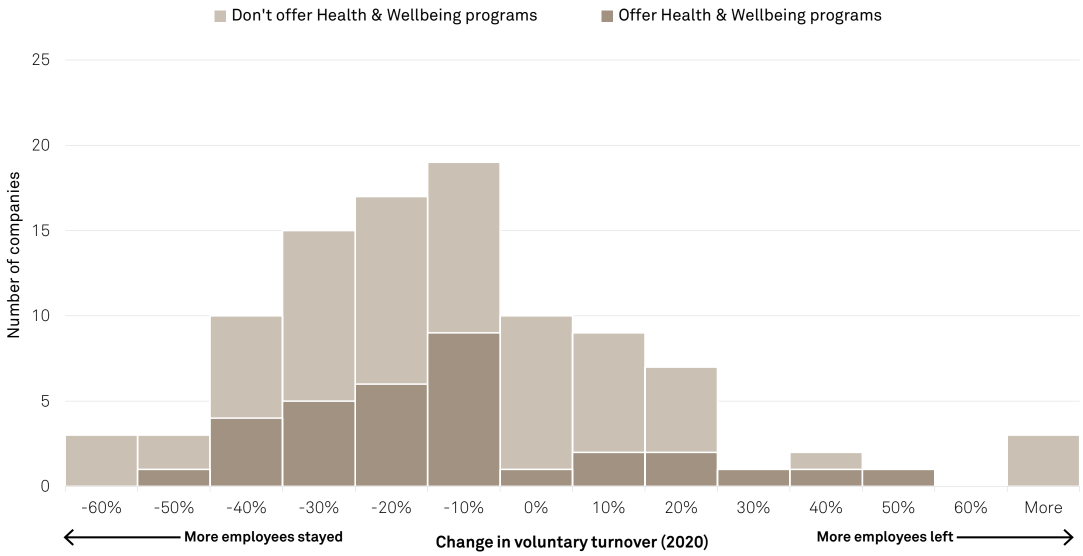
Other research has shown that employee health and wellness programs help with employee retention. A study in May 2021 by the professional services firm Ernst &

[10] "Fiscal Monitor Database of Country Fiscal Measures in Response to the COVID-19 Pandemic," International Monetary Fund, October 2021, https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19.

[11] "Economic Research: Where Are The Workers? Three Explanations Point To An Answer," S&P Global Ratings, Nov. 4, 2021, https://www.spglobal.com/ratings/en/research/articles/211104-economic-research-where-are-the-workers-three-explanations-point-to-an-answer-12173966.

[12] "More than half of employees globally would quit their jobs if not provided post-pandemic flexibility, EY survey finds," EY, May 12, 2021, https://www.ey.com/en_us/news/2021/05/more-than-half-of-employees-globally-would-quit-their-jobs-if-not-provided-post-pandemic-flexibility-ey-survey-finds.

Companies that offered health and wellbeing programs in 2020 retained staff slightly better than companies that did not



Data as of November 2021. Health and wellbeing programs in the above analysis include the following: work from home, flexible working hours or provision by employer of childcare facilities or contributions. Voluntary turnover refers to the proportion of employees who choose to leave an organization (e.g., resignation, retirement, early retirement) over a set period expressed as a percentage of the total employees.
Change in voluntary turnover is calculated as the change in voluntary turnover in 2020 versus the prior three-year average. Negative numbers represent a lower turnover rate, or more employees retained. Results based on responses from 132 companies.
Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

Young Global, doing business as EY, found that more than half of employees surveyed around the world would consider leaving their jobs after the pandemic ends if their company does not provide them flexible work hours and flexible work location options, such as the ability to work from home for some or part of their weekly schedule.[12]

The Great Resignation is not the only workforce-related challenge companies face globally, according to Sher Verick, head of employment strategies at the International Labour Organization. There are still millions of people around the world who haven't returned to the labor force since the pandemic started. This challenge is especially true for younger workers and women who had to quit jobs to take care of children and sick family members, he said in an interview with S&P Global Sustainable1.

For people in those situations, it's not just a matter of choice. “Not everyone is able to return to the labor force,” Verick said. Corporate programs that remove barriers to returning to the workforce, such as access to childcare, could help alleviate the situation.

Adapting to the Great Resignation

The Great Resignation is impacting all industries to some extent, but not all were equally prepared to offer the health and wellness benefits that can help improve retention.

For example, half of the companies surveyed in the media, movies and entertainment industry do not offer flexible working hours, and two-thirds of companies in the industry don't offer work from home options or childcare facilities, 2021 CSA data shows.

These kinds of benefits are even less prevalent in the transportation and transportation infrastructure industry: 93% of these companies don't offer work from home, 67% don't provide flex work hours, and 91% don't offer childcare facilities or related financial programs.

Industries worst prepared for trend of higher resignations in 2021

	% of companies without analytics tools for strategic workforce planning	% of companies without work from home programs	% of companies without flexible working hours	% of companies without childcare facilities or contributions
Retailing	55%	73%	9%	Data unavailable
Casinos and gaming	60%	60%	0%	Data unavailable
Media, movies and entertainment	67%	67%	50%	67%
Real estate	73%	85%	58%	67%
Transportation and transportation infrastructure	73%	93%	67%	91%
Trading companies and distributors	75%	88%	50%	75%
Leisure equipment and products and consumer electronics	100%	20%	20%	Data unavailable
Household products	100%	50%	50%	50%

Data as of November 2021. Analytics tools for strategic workforce planning refers to the use of people analytics to create strategic alignment of an organization's human capital with its business direction. Results based on responses from 516 companies. Source: Corporate Sustainability Assessment 2021, S&P Global Sustainable1.

Those industries may need to consider adding health and wellness programs or better employee benefits in the future to improve employee retention. Companies could also consider using strategic workforce planning analytics tools to help them understand better how to manage workforce shortages and skill gaps in the face of higher resignations.

But the Great Resignation may be more than just employees leaving one company in a year. The pandemic has prompted some people to reconsider their career fields or to change jobs more than once in 2021 as they try to find work they are passionate about, according to a recent survey Indeed commissioned.[13] The survey covered 1,000 workers globally who voluntarily resigned from at least two jobs since March 2020.

The pandemic created a "very large forced social experiment where the old way of doing things was no longer an option," Scott Bonneau, Indeed's vice president of global talent attraction, said in an interview with S&P Global Sustainable1.

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This prompted people to rethink their jobs and their careers more broadly, Bonneau said. The survey found workers most valued four factors: remote work options, flexibility for parents and caregivers, flexible work hours and the ability to feel safe or follow health safety guidelines in their positions. Pay and the ability to work at a company that closely aligns with an employee's personal values are also important. Bonneau noted that employees, especially millennials, have been trending in this direction for several years.

And as for worker health and safety programs once considered optional perks, potential employees are increasingly listening for companies to offer these benefits in their hiring pitches. If companies want to attract and retain employees amid the continued uncertainty of the pandemic and the Great Resignation, they would be wise to adapt accordingly. ■

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[13] "News: 92% of COVID Job Switchers Report, "Life is Too Short To Stay in a Job You're Not Passionate About," Indeed, Dec. 2, 2021, https://www.indeed.com/career-advice/career-development/covid-job-switching.