

# Exploring the Small Business Employee Benefits Gap

## Findings from the 2024 Employee Benefits Survey

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Workplace benefits play a pivotal role in shaping the economic well-being of employees and their relationships with their employers. For employees, benefits such as health insurance, paid leave, retirement plans, and other supports not only improve working conditions but also offer pathways to financial stability and long-term wealth creation.<sup>1</sup> For employers, offering benefits can strengthen talent attraction, productivity, and retention.<sup>2</sup> Yet access to workplace benefits is far from universal. Small businesses, which often operate with thinner margins, less administrative capacity, and more fluctuating revenue, can struggle to offer the same range of benefits as larger firms, which are able to leverage economies of scale.<sup>3</sup> But, how big is the difference in benefit access between smaller and larger employers, and which benefits show the greatest disparities?

To answer these questions, we analyzed the most recent US Bureau of Labor Statistics Employee Benefits Survey, focusing on private-sector W-2 workers. We compared benefit access across two employer groups: those with 50 or fewer full-time equivalent employees,<sup>4</sup> which we refer to as “micro and small businesses,” and those with 100 or more full-time equivalent employees, which we categorize as “medium and large businesses.”<sup>5</sup> Our analysis shows that workers in micro and small businesses have lower access to every employer-sponsored benefit measured in the survey. The gap is especially wide for disability and life insurance-related benefits. Differences also exist for medical care benefits and retirement savings plans, but the disparities are smaller.

### Health Care Benefits

Health care benefits include access to medical, dental, and vision care, most commonly through employer-sponsored health insurance. Access to these benefits varies substantially by employer size. As seen in figure 1, nearly 9 in 10 workers in medium and large businesses have access to medical coverage, compared with only about half of workers at micro and small businesses. The Affordable Care Act requires businesses with 50 or more full-time employees to offer affordable minimum essential health coverage to at least 95 percent of full-time employees or face penalties. However, the Employee Benefits Survey includes both full-time and part-time workers, so this regulation may not apply to all medium and large business workers in the sample.

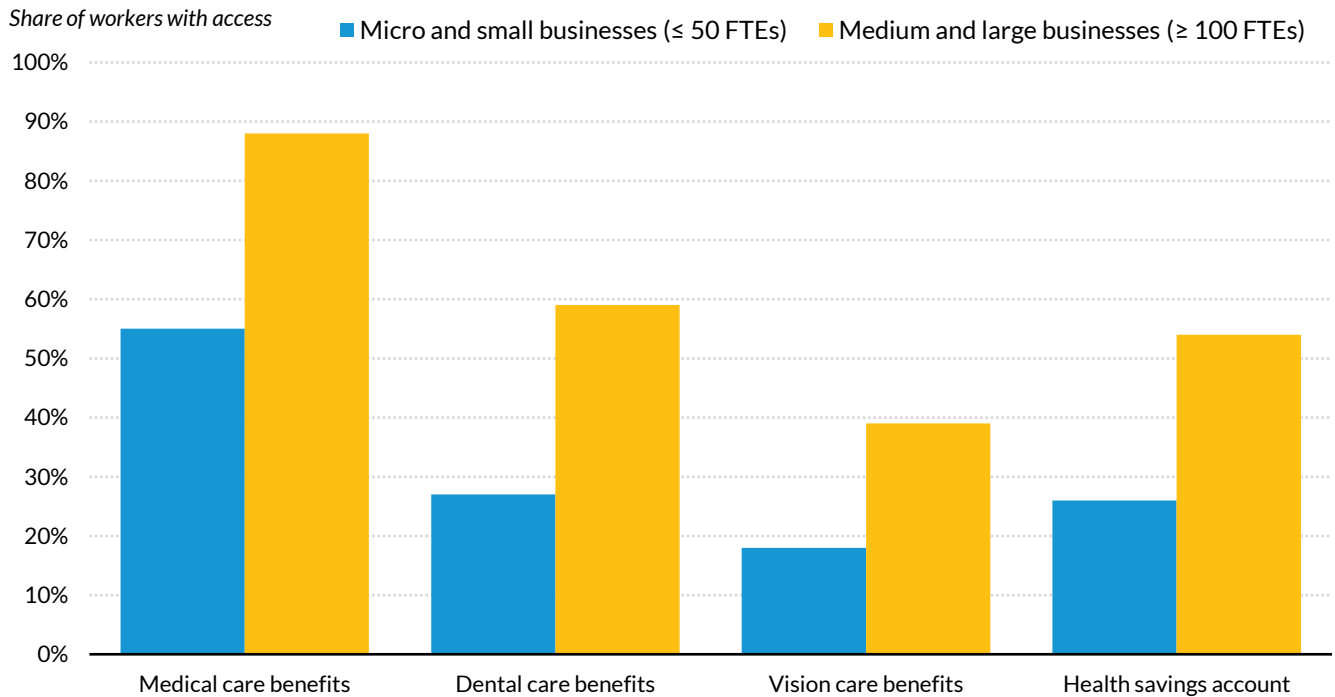
### THE EMPLOYEE BENEFITS SURVEY

The Employee Benefits Survey, integrated into the National Compensation Survey, is carried out by the US Bureau of Labor Statistics and collects data on the incidence and characteristics of employer-provided benefits.

Data are gathered from a representative sample of private-sector establishments (including nonprofits) and state and local government agencies (excluding federal government, private households, and agriculture).

Estimates are weighted to reflect national employment, accounting for nonresponse, occupational sampling, and poststratification, to aggregate employment by industry/establishment size.

**FIGURE 1**  
**2024 Access Rates for Health Care Benefits**  
*For civilian workers in the private sector*



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Source: Authors' analysis of the US Bureau of Labor Statistics 2024 Employee Benefits Survey.  
 Note: FTE = full-time equivalent.

The disparity widens for other types of care: the share of employees with access to dental or vision benefits is 54 percent smaller in micro and small businesses compared with medium and large businesses. Access to health savings accounts follows a similar pattern, with more than half of workers in medium and large firms able to use them, compared with roughly a quarter in micro and small firms.<sup>6</sup>

Participation among eligible workers also lags in micro and small workplaces, especially for medical insurance. Among those offered medical coverage, 67 percent of workers at medium and large businesses enroll, compared with 58 percent at micro and small businesses. Take-up differences for dental and vision coverage are more comparable: 75 percent at medium and large businesses versus 74 percent at micro and small businesses for dental care, and 77 percent versus 72 percent for vision benefits.

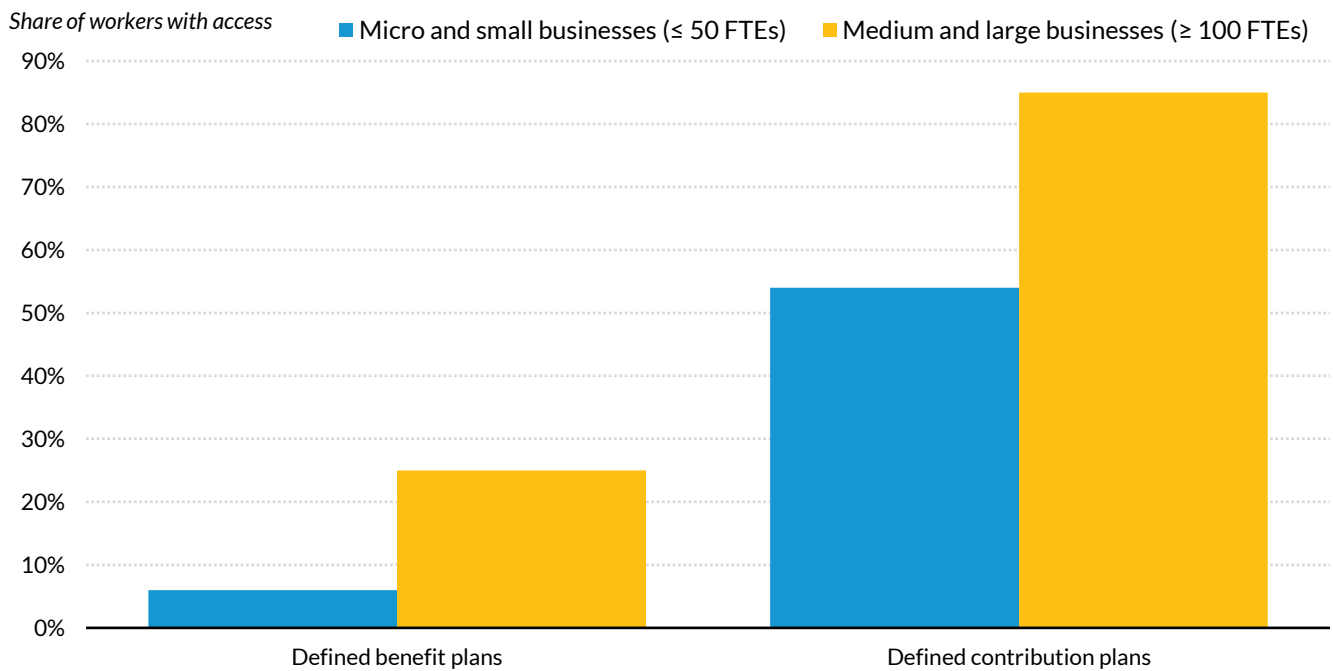
Take-up rates may not be equal to 100 percent for many reasons, including workers who may already be covered as dependents under a spouse's or family member's plan, and others who may decline coverage because premiums or cost-sharing requirements are unaffordable relative to their income (Johnston et al. 2020). However, the differences in take-up rates may suggest that while smaller employers face structural constraints in offering health care benefits, employees at these firms may also experience cost, information, or administrative barriers that lower participation even when benefits are available.

## Retirement Benefits

Employers typically offer two types of retirement plans. Defined benefit plans, also referred to as pensions, guarantee workers a set payout after retirement regardless of employee contributions. Defined contribution plans base future benefits on the accumulated contributions made by both the worker and employer throughout the period of employment. Common examples are 401(k) and 403(b) plans. The availability of defined benefit plans has declined nationally, while defined contribution plans have become the dominant model. And yet, today, one in four workers at medium and large businesses still have access to a defined benefit plan—although just 6 percent of workers in micro and small businesses have access, as shown in figure 2. Defined contribution plans require less long-term financial commitment from employers. This may explain why the share of employees with access to a defined contribution plan is 36 percent smaller in micro and small businesses than in medium and large businesses while the share of employees with access to a defined benefit plan is 76 percent smaller.

FIGURE 2  
**2024 Access Rates for Retirement Benefits**

*For civilian workers in the private sector*



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Source: Authors' analysis of the US Bureau of Labor Statistics 2024 Employee Benefits Survey.

Note: FTE = full-time equivalent.

For defined benefit plans, about two thirds of workers in both medium and large and micro and small businesses enroll when the benefit is available. In contrast, take-up for defined contribution plans is modestly lower in micro and small workplaces: 69 percent enroll compared with 75 percent of workers in medium and large firms. Several factors may explain these patterns. Workers may forgo defined benefit plans because of limited understanding, mistrust of long-term guarantees, or uncertainty about vesting (Congressional Research Service 2024).<sup>7</sup> Defined contribution plans, meanwhile, may require reducing current take-home pay, which, for some workers, can be a

barrier based on their current financial needs even when they recognize the long-term value of investing for retirement (Principal 2024).

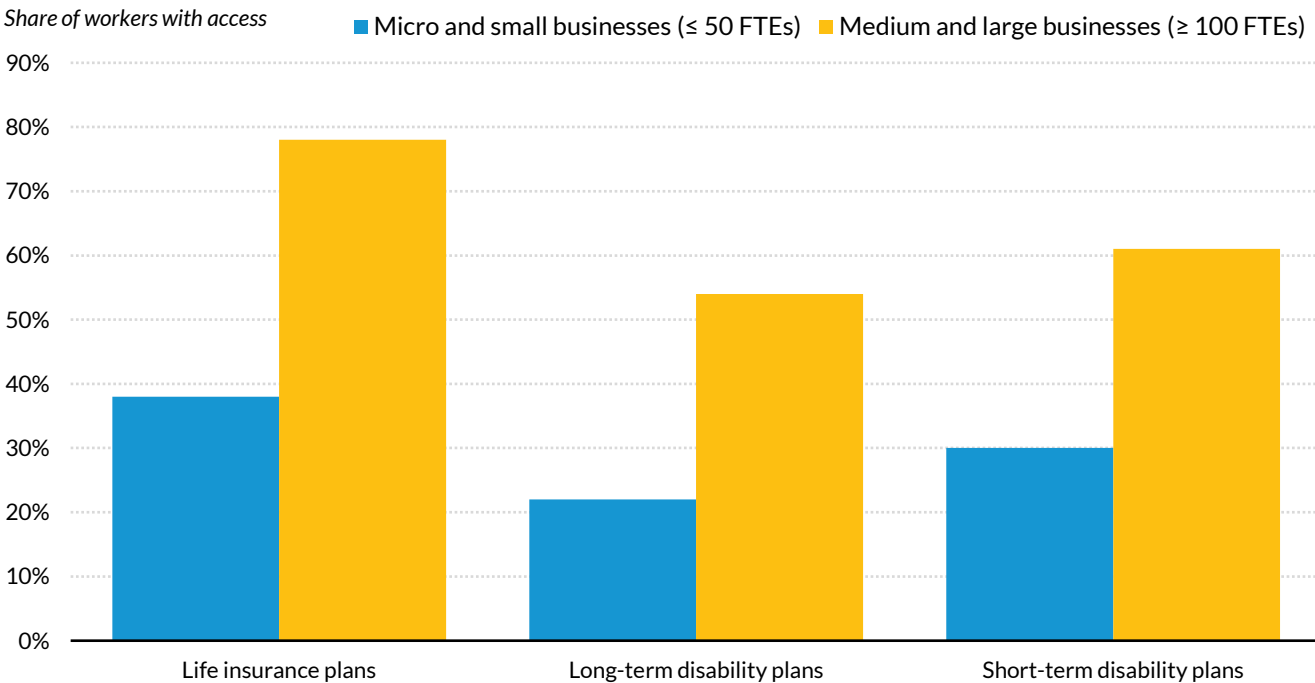
### Life and Disability Insurance Benefits

Life insurance can take different forms, but it generally provides a lump-sum payment to a designated beneficiary in the event of the employee’s death, typically equal to one or more times the worker’s annual salary. Short-term disability coverage usually replaces a portion of wages (often up to six months) if a worker becomes temporarily unable to work. Long-term disability coverage can extend income replacement for up to one to two years or more, depending on the plan. In most cases, employers pay the full cost of the base insurance premiums for these benefits, and employees can choose to purchase additional coverage at their own expense.

As shown in figure 3, employees in medium and large businesses have access to these insurance benefits at rates more than double those of employees in micro and small businesses. Life insurance is available for close to 80 percent of employees in medium and large businesses. Access to short-term disability insurance is slightly more prevalent than access to long-term disability insurance, most likely because the former has relatively lower costs for the employer.

Unlike other benefit types, participation rates for life and disability insurance benefits remain high across employer sizes (close to 100 percent). This trend is likely driven by automatic enrollment, employer-paid premiums, and the relatively low administrative burden for employees.

**FIGURE 3**  
**2024 Access Rates for Life and Disability Insurance Benefits**  
*For civilian workers in the private sector*



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Source: Authors’ analysis of the US Bureau of Labor Statistics 2024 Employee Benefits Survey.  
Note: FTE = full-time equivalent.

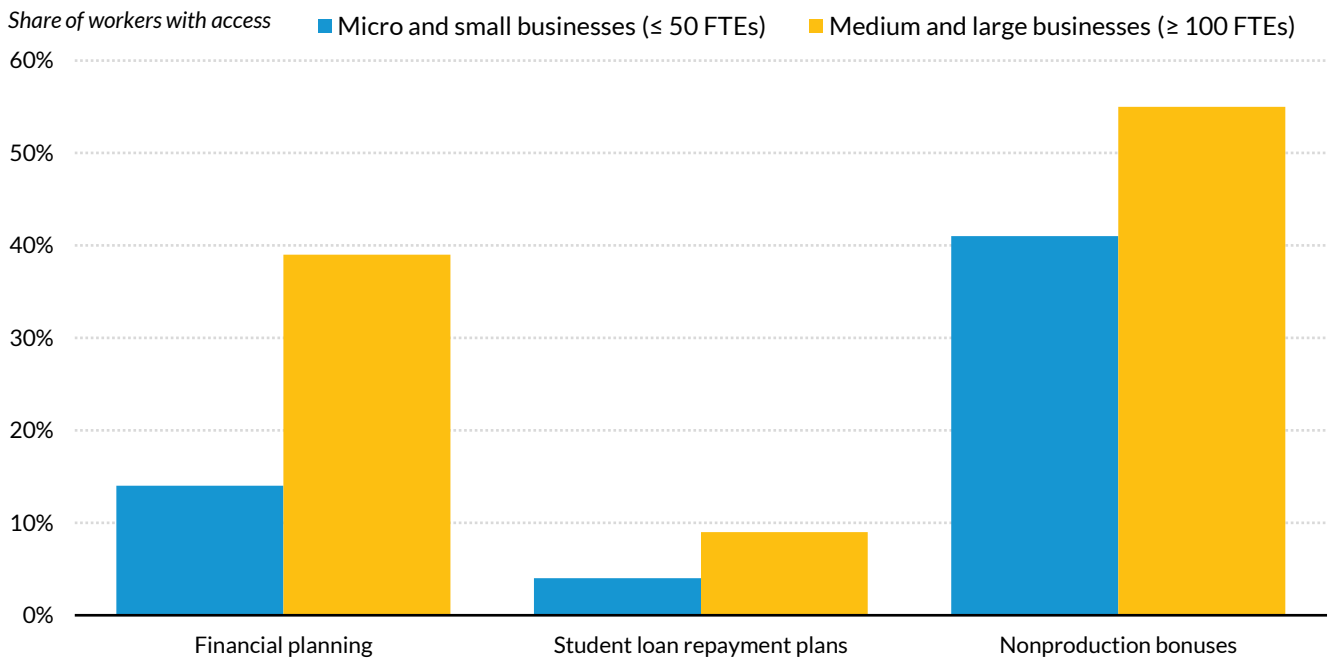
## Other Financial Benefits

The final set of benefits we review include access to financial planning services, student loan repayment programs, and nonproduction bonuses. Financial planning services typically provide employees with access to personalized financial advising, budgeting support, or retirement planning guidance, often through certified professionals or digital tools. Student loan repayment programs refer to employer-sponsored contributions toward an employee's outstanding student debt, either through direct payments to the loan servicer or reimbursement to the employee for education already obtained. Nonproduction bonuses include discretionary or performance-related cash payments not tied to measurable production outputs, such as holiday bonuses, retention bonuses, or recognition awards.

Access to these financial benefits varies significantly by employer size. Only 14 percent of workers in micro and small businesses are offered employer-sponsored financial planning services, while 39 percent of workers in medium and large businesses have access to them. Student loan repayment programs are relatively rare overall, but employees in medium and large businesses are more likely to have access compared with those in micro and small businesses (9 percent versus 4 percent, respectively). Nonproduction bonuses also vary by employer size, as shown in figure 4: 41 percent of workers in micro and small businesses have access to such bonuses, compared with 55 percent in medium and large businesses. The Employee Benefits Survey does not track participation rates for any of these financial benefits.

FIGURE 4  
**2024 Access Rates for Financial Benefits**

*For civilian workers in the private sector*



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Source: Authors' analysis of the US Bureau of Labor Statistics 2024 Employee Benefits Survey.

Note: FTE = full-time equivalent.

## Strengthening Benefits Access and Take-up for Micro and Small Business Workers

This research brief highlights a persistent gap in job benefits between micro and small businesses and medium and large businesses. Micro and small businesses are essential to local economies and provide millions of workers with income and career opportunities. However, their employees are materially less likely to receive benefits like health insurance, retirement plans, paid leave, and financial protections. Expanding benefits access is key to improving worker well-being and strengthening and stabilizing micro and small firms.

Many sectors can work together to help bridge this gap by supporting solutions that lower costs, reduce administrative burdens, and reward businesses that invest in their workforce. Key strategies include:

- **Incentivize benefits adoption through financing tools.** Traditional banks, community development financial institutions (CDFIs), and other investors can offer loan interest rate buy-downs, rebates, or preferred financing terms for business borrowers that introduce or expand core benefits. Improved benefits can strengthen productivity, reduce turnover, and improve talent attraction, helping stabilize cash flows and making these investments safer from a lender’s perspective. Examples of such models include Lafayette Square “LS Solutions” and Pacific Community Ventures’s Good Jobs Lab.<sup>8</sup>
- **Provide benefits education and advisory services to businesses.** To help business owners and human resources specialists make informed decisions about benefit offerings, business support organizations and similar institutions can expand access to trusted guidance through toolboxes, resource libraries, and advisory services that explain the full range of benefit options, cost structures, and likely returns on investment. Many organizations offer such public resources, such as Paycor’s HR Benefits Toolkit, Results for America’s Job Quality Playbook, and Pacific Community Ventures’s Good Jobs, Good Business Toolkit.<sup>9</sup>
- **Scale innovative and pooled benefit models.** Providers and intermediaries of employee benefits should design products adapted for small businesses, such as group purchasing arrangements and portable benefits. Group purchasing arrangements allow several smaller firms to jointly purchase insurance or retirement benefits, sharing risk, administrative costs, and negotiating leverage. Portable benefit packages can follow a worker from job to job rather than stay tied to a single employer, which can be useful in industries with high turnover.

## Notes

- <sup>1</sup> McKinsey & Company, “US Workplace Benefits: Connecting Health, Wealth, and Wellness,” accessed November 24, 2025, <https://www.mckinsey.com/industries/financial-services/our-insights/insurance/us-workplace-benefits-connecting-health-wealth-and-wellness>
- <sup>2</sup> Employee Benefit Research Institute, “National Survey Finds Organizations Reporting Improvement in Employee Satisfaction, Recruiting, Retention, Performance and Employee Health as the Result of Voluntary Employee Benefit Programs,” accessed November 24, 2025, <https://www.ebri.org/docs/default-source/ebri-press-release/pr-1382-volbenefits-12nov25.pdf>; Integrated Benefits Institute, “Reimagining Strategies to Improve Employee Attraction and Retention, According to Integrated Benefits Institute Study,” accessed November 24, 2025, <https://news.ibiweb.org/reimagining-strategies-to-improve-employee-attraction-and-retention-according-to-integrated-benefits-institute-study>.
- <sup>3</sup> Natalie Madeira Cofield, Forbes, “The Real Reason Small Businesses Struggle to Offer Good Jobs,” accessed November 24, 2025, <https://www.forbes.com/sites/nataliemadeiracofield/2025/11/13/the-real-reason-small-businesses-struggle-to-offer-good-jobs/>
- <sup>4</sup> We combine part-time employees into full-time equivalent employee counts.
- <sup>5</sup> We created these definitions based on the categorical filters available in the US Bureau of Labor Statistics Employee Benefits Survey. It is likely that differences in access are wider between even smaller firms and large firms.

- <sup>6</sup> Health savings account availability has grown steadily since at least 2010, reflecting rising health insurance premium costs and increased availability of high-deductible health plans. This trend makes health savings accounts increasingly valuable to both employers and employees as it allows the insured to offset some of the costs with a high-deductible plan.
- <sup>7</sup> April Y. Wu, Matthew S. Rutledge, and Jacob Penglase, “Why Don’t Lower-Income Individuals Have Retirement Saving Plans?,” accessed November 24, 2025, <https://www.bostonfed.org/publications/communities-and-banking/2015/winter/why-dont-lower-income-individuals-have-retirement-saving-plans.aspx>
- <sup>8</sup> Lafayette Square, “LS Solutions,” accessed January 5, 2026, <https://www.lafayettesquare.com/ls-solutions>; Pacific Community Ventures, “Good Jobs Innovation Lab,” accessed January 5, 2026, <https://www.pacificcommunityventures.org/impact-investing/good-jobs-innovations/>
- <sup>9</sup> Paycor, “The Complete HR Benefits Toolkit,” accessed January 5, 2026, <https://www.paycor.com/resource-center/guides-white-papers/complete-hr-benefits-toolkit/>; Results for America, “Job Quality Playbook,” accessed January 5, 2026, <https://jobquality.results4america.org/metrics>; Pacific Community Ventures, “Good Jobs, Good Business,” accessed January 5, 2026, <https://goodjobs.pacificcommunityventures.org/>

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