



Gallagher

Insurance | Risk Management | Consulting

Total rewards strategies for an evolving workforce.

SMALL BUSINESS

Findings and insights from the 2022 Benefits Strategy & Benchmarking Survey

U.S. Edition

— 2022 —
WORKFORCE
TRENDS
REPORT
SERIES

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Introduction

Regardless of industry, keeping small businesses thriving posed a big challenge in 2020–2021. But through versatility and flexibility, many adapted, endured and emerged intact. As their employees continue to deal with excess stress, these employers are improving their wellbeing strategies. They're finding ways to better communicate and engage employees to improve participation in wellbeing programs. And they're focused on providing access to more affordable care to promote health, support productivity and stay competitive.

Wellbeing is at the center of [Gallagher Better WorksSM](#), our comprehensive approach that aligns your people strategy with your overall business goals. It focuses on the full spectrum of organizational wellbeing—taking a strategic approach to investing in employee wellbeing at the right cost structures to support diverse workforce needs.

Part of our Workforce Trends Report Series, this addendum highlights key findings and implications based on responses from 1,214 small businesses that participated in our 2022 Benefits Strategy & Benchmarking Survey.

From broad insights to specific findings, you'll gain a practical perspective on trends and best practices to help you face your future with confidence.



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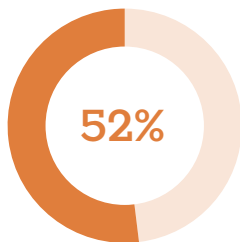
Benefits Strategy & Benchmarking Survey Small Business Participant Profile



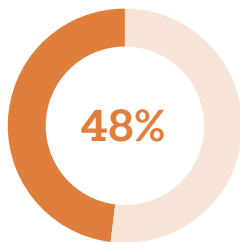
1,214

Small businesses

Workforce size—full-time equivalents (FTEs)

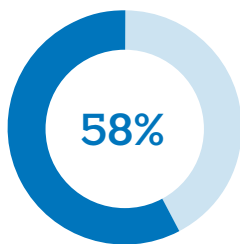


Under 50 FTEs

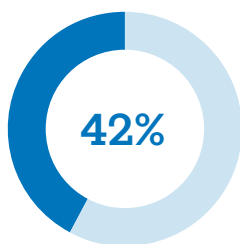


50 to 99 FTEs

Ownership structure

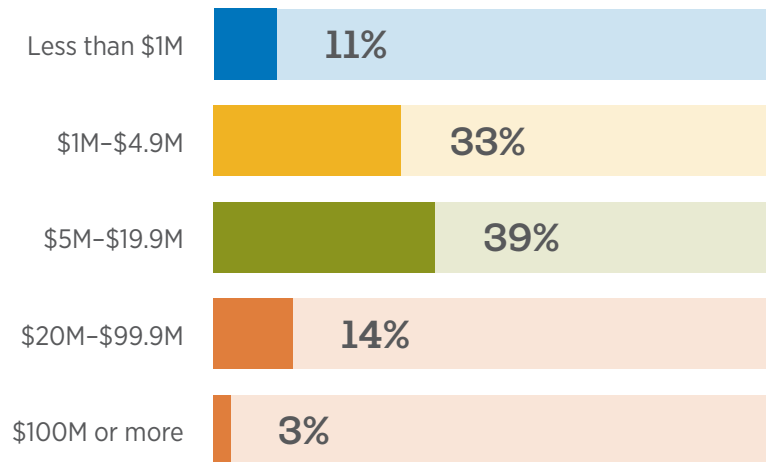


For profit

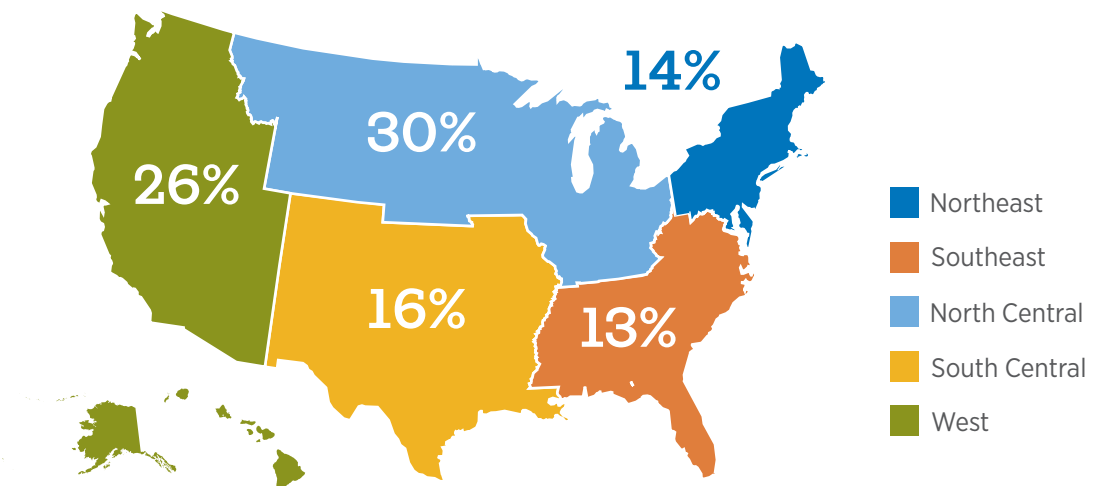


Nonprofit

Annual operating revenue



Geography



Key Takeaways for Small Business Employers

People & Organizational Wellbeing Strategy



Attraction and retention preoccupy employers as they pursue opportunities to grow revenue during a period of high inflation.

Physical & Emotional Wellbeing



Optimal total rewards design includes greater plan choice in addition to individualized and affordable benefits.

Career Wellbeing



Engagement and career development initiatives help to successfully align individual employee goals with organizational priorities.

Financial Wellbeing



Financial wellbeing opportunities are critical to a competitive offering, supporting overall health while boosting employees' positive perceptions of total rewards.

Organizational Wellbeing



Reducing mental health stigma and providing employees more flexibility can help create a culture of organizational wellbeing.

People & Organizational Wellbeing Strategy

Revisiting the people strategy is critical to meet attraction and retention needs.

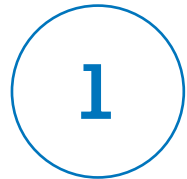
Top organizational and HR priorities center on employee retention while attracting new talent to support growth. Many employers are investing more in pay, especially base salary, as a result. And by also offering benefits that address the unique challenges of their employees, small businesses gain an opportunity to distinctly differentiate their organization.

Meeting employee expectations begins with benchmarking total rewards. From there, analyzing data in advance of planning compensation and benefits helps employers more effectively apply insights. Once they do, they'll be better able to put together a package that resonates with the range of employees needed to help achieve business objectives.

Additionally, emerging technologies and updated HR strategies can help small businesses manage labor market challenges. Automation streamlines tasks to decrease dependency on manual labor and increase efficiency.



Top operational priorities



Retaining talent

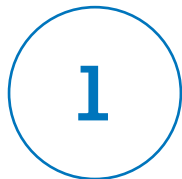


Growing revenue or sales



Ensuring business continuity

Top HR priorities



Retaining talent



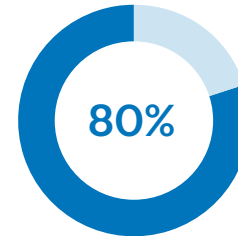
Attracting talent



Creating a strong culture

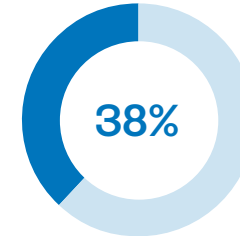
34% Experienced turnover of 15% or more in 2021

Total rewards aspects enhanced to meet recruitment and retention objectives



80%

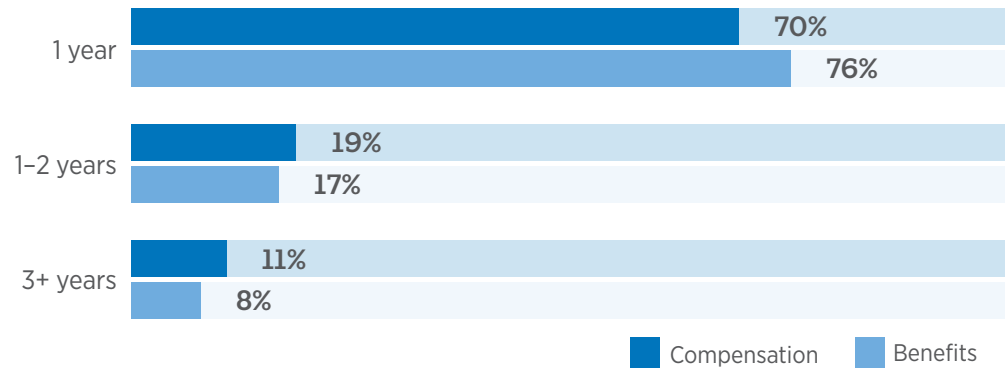
Base salary



38%

Variable compensation or bonus programs

Compensation and benefits planning horizon



About **2 in 3** Plan to expand and/or replace HR technologies by 2024

Physical & Emotional Wellbeing

Feature choice while applying new solutions for more affordable and individualized total rewards.

Employers who are committed to the wellbeing of their workforce are aligning their benefits and policies with goals for increased productivity and reduced absenteeism.

Reluctant to shift costs, they're seeking out budget-conscious alternatives. Multiple health plans are one solution for balancing cost control and affordability. Voluntary benefits also enhance total rewards with options like coverage for insurance gaps and other financial protections that meet individual needs. If there's interest in more extensive services to target specific areas of health management, point solution vendors can also offer help.

To increase workforce morale and engagement, employers are rethinking their approach to paid time off (PTO). They recognize that employees may value greater flexibility in using their time more than additional hours or days away from work.



68% Offer 2 or more medical plans

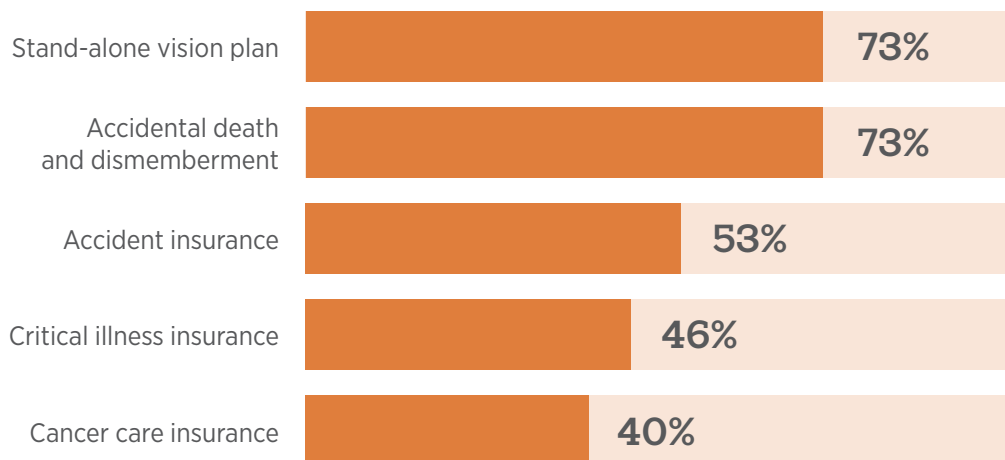
Most common medical plans offered

- 80% Preferred provider organization/point of service
- 38% Consumer-directed health plan with a health savings account
- 30% Health maintenance organization

3 in 5

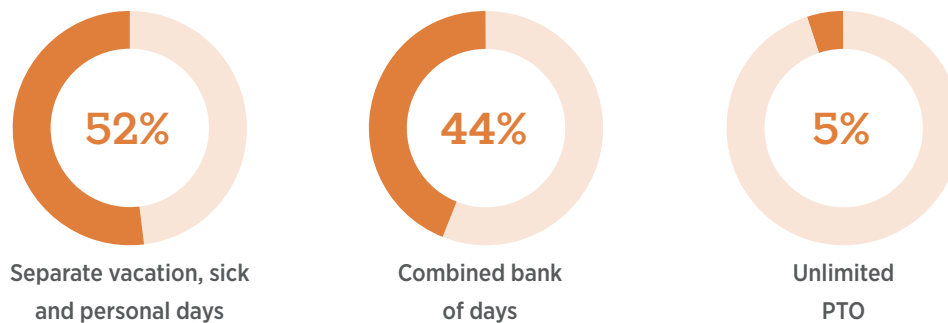
Did not increase employee cost share at the most recent renewal

Types of voluntary benefits offered



50% Cite productivity impact as their top absence management concern

Approach to PTO



Career Wellbeing

Engagement and career development initiatives align employee and organizational goals.

Large-scale automation that took place within a small window of time, early in the pandemic, upended operations for small businesses. The labor shortages that followed and artificial intelligence have made certain skills obsolete, while others are suddenly in demand.

Keeping employees engaged in an unsettled labor market requires a culture of continuous learning, with a healthy feedback loop. Many members of the workforce are rethinking their career plans and objectives. When employers reinvent and reinforce skills that align with this directional shift, they prepare employees and leaders for a new future of work.

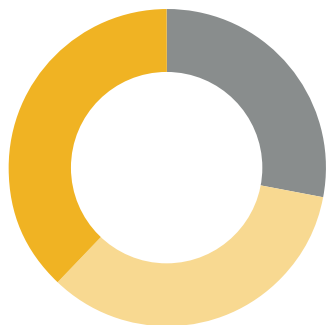
Employees are more engaged when the organization's values, mission and goals align with their own. Engagement surveys can go beyond traditional metrics to identify changing goals and values, helping employers prepare to address them.



More than
2 in 3

Believe their workforce is highly engaged

Have an engagement strategy



38%

Yes

34%

Expect to
by 2024

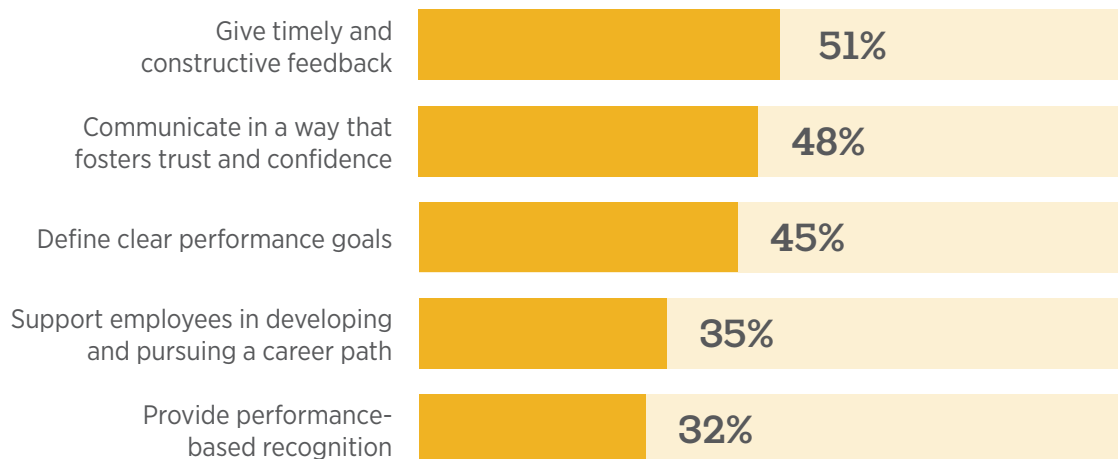
28%

No

28%

Consider increasing workforce engagement and productivity a top HR priority

Tactics used to improve employee engagement



33%

Conducted a survey to measure workforce engagement in 2020 or 2021

Top components of career wellbeing initiatives



Service awards or employee recognition



Ongoing performance feedback or coaching



Employee development training



Management or leadership development training



Team-building programs

Financial Wellbeing

Financial wellbeing opportunities boost employees' positive perceptions of total rewards.

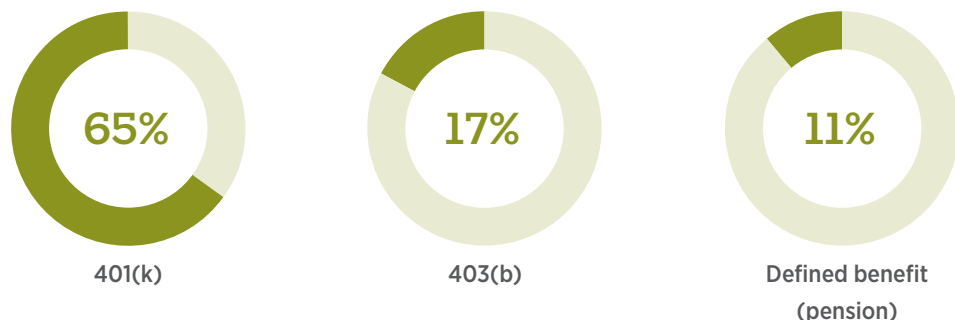
Proactively addressing the financial concerns of employees promotes higher engagement, fewer absences and increased productivity. But with no insight into the timing of inflation relief, rises in rent, food and gas prices are likely to add stress.

Wellbeing options such as matching contributions for retirement plans can provide significant financial value. And at a potentially lesser cost to employers, expanded employee discount programs or one-to-one coaching sessions on finances or retirement also offer assistance. Employees get access to instant savings or help with planning for the future.

Taking steps to understand the financial goals of employees will help small business employers optimize supporting programs. It's also important to communicate the value of these benefits to maximize positive perceptions and use.

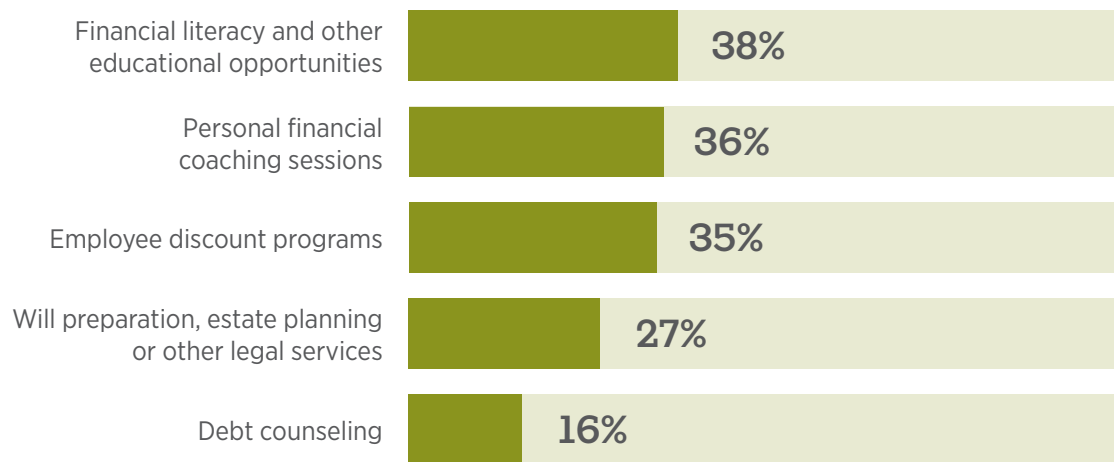


Most common active retirement plans offered



Nearly **3 in 4** Offer at least one financial wellbeing program or resource

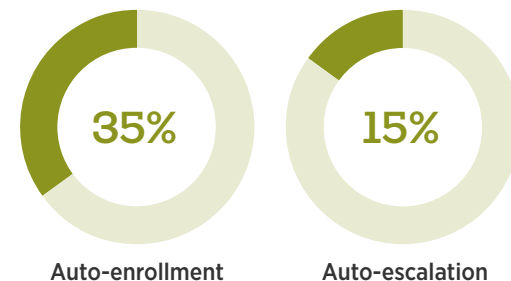
Top financial wellbeing programs and resources



84% Have a retirement program

77% Match employee contributions

Methods used to promote better savings habits



Organizational Wellbeing

A stronger focus on mental health and flexibility can create a culture of organizational wellbeing.

The emphasis on more effective support for the mental health and emotional wellbeing of the workforce continues. Stress and burnout also affect operations and revenue. Yet getting participation in programs that address these areas is a challenge, and many small businesses lack supporting wellbeing strategies.

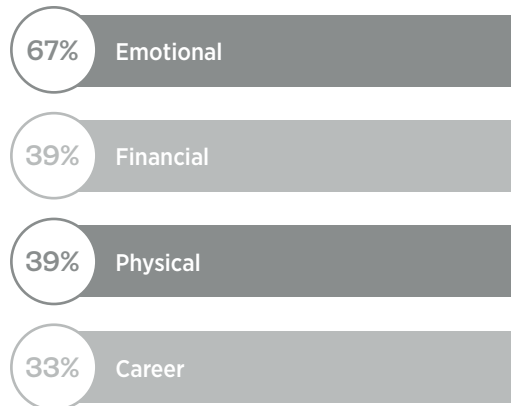
To the extent possible, more employers are also adopting policies that promote work-life balance and an agile workplace. Remote work has expanded hiring geographies and redefined organizational boundaries. But while a more widely distributed workforce brings challenges, small businesses can't afford to ignore it. Remote work is now a mainstay that requires establishing and maintaining flexible policies and practices. Updated strategies need to flexibly accommodate employee preferences now and map out plans for future workplace settings.



Less than
1 in 2

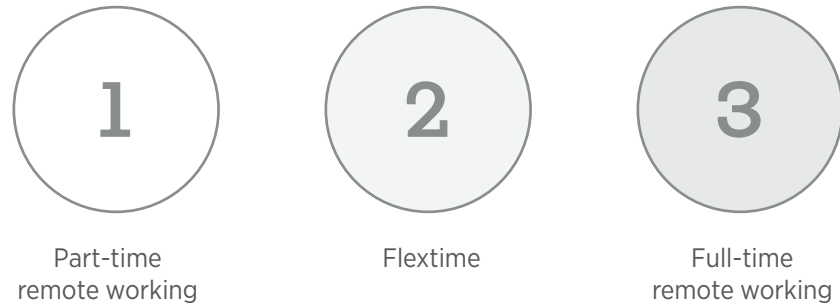
Agree their organization has a culture of total wellbeing

Dimensions of employee wellbeing that have become more important since 2020



74% Say leaders are concerned about the impact of stress and burnout on the organization

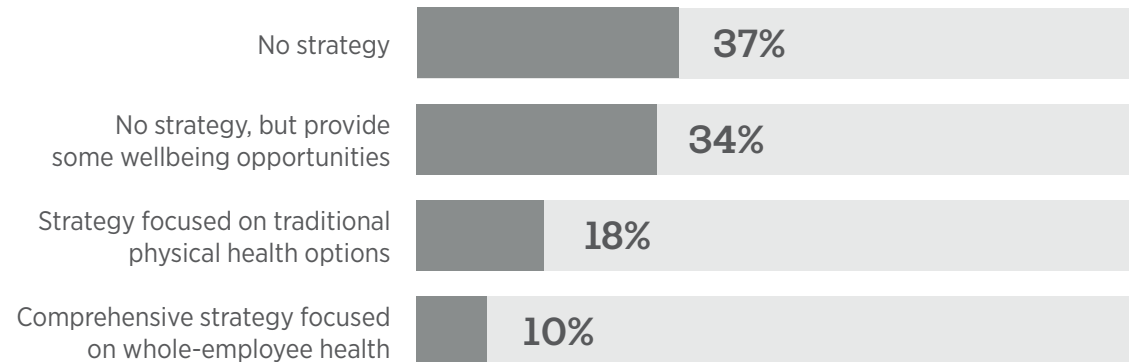
Top tactics used to address workplace flexibility



37%

Think managers are well-equipped to refer employees to mental health support services

Scope of the wellbeing strategy



Final Remarks

Increasingly, employees are reflecting on their careers and reexamining their choice of work and workplaces. Creating a culture that promotes respect for the values and priorities of the workforce, including flexibility, will help small businesses retain and attract talent.

To stay competitive, it's important to selectively adopt emerging technologies that can streamline systems and processes. A digital upgrade not only helps fill labor gaps, but allows businesses to scale up faster. They're able to take on and fulfill more requests.

Traditional workplaces continue to give way to hybrid or fully remote alternatives. Regardless of preferences, employers need to balance the advantages of providing flexibility for employees who work from home with bringing team members together. Nurturing the spirit of collaboration is essential.

Managing teams through periods of uncertainty and anxiety can be mentally demanding. With elevated stress levels so widespread in recent years, the emphasis of strategic priorities has shifted to total wellbeing, and mental health is now central. Encouraging open communication and empathy, and offering programs or resources that help employees build resilience can be especially beneficial. Through increased engagement, employers can reduce or prevent burnout.

For additional insights and custom benchmarking on the latest trends impacting small business employers, contact your local Gallagher consultant.

About Gallagher

People are your organization's greatest asset. But when their daily lives are impacted by major struggles like a global pandemic, economic strife and geopolitical risks, hardship can take its toll—both on your people and your business.

As employees across all geographies, industries and employer types navigate the ever-changing world, organizations must critically evaluate their people experience—finding unique ways to engage teams, establish authentic connections and support employee wellbeing, overall.

Making an intentional connection between your people's wellbeing and your organization's performance is imperative for optimal results. When your people are all in, your business can attract top talent, motivate employees and shift the organizational culture—helping employees to feel differently about their work. As a result, organizations can reduce burnout and increase productivity among their people, and business performance can soar.

This is why employee wellbeing is at the center of Gallagher Better WorksSM—a comprehensive approach for strategically investing in benefits, compensation, retirement and employee communication so you can support the health, financial security and career growth of your people at the right cost structures.

From evaluating the demographics of your workforce, to surveying and analyzing competitor trends, Gallagher offers you data-driven insights—allowing you to make the most of your investment in talent, deliver a better people experience and reduce organizational risk. Even in times of uncertainty, we're here to help you optimize your profitability with a strategy rooted in the wellbeing of your people.



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