Gallagher Better Works℠

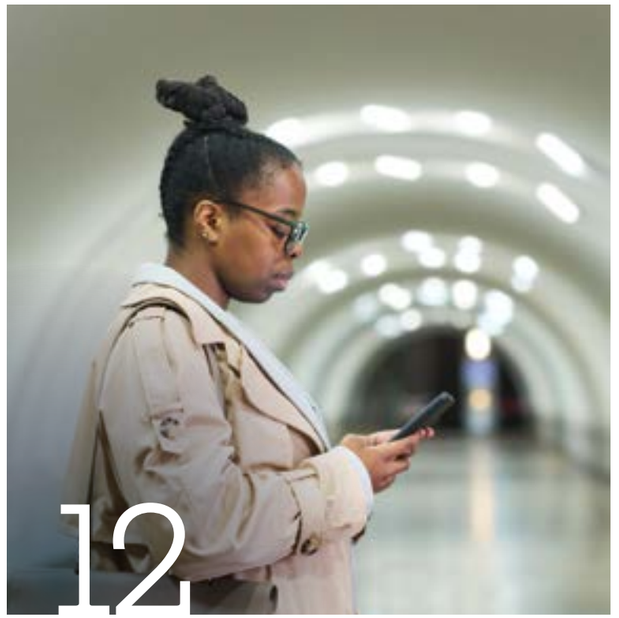
INSIGHTS

Gallagher

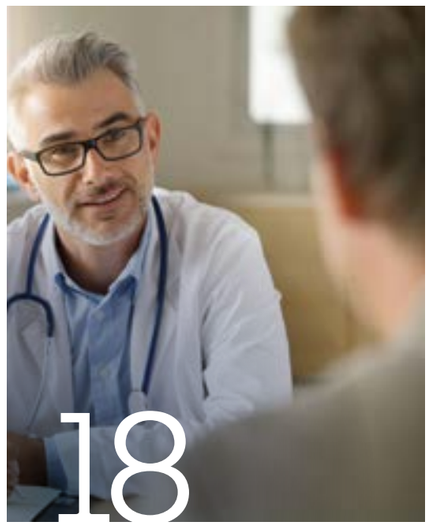
Insurance | Risk Management | Consulting

2023 ISSUE THREE | U.S. EDITION

Table Of Contents



> Feelings of loneliness have more to do with the quality than the quantity of a person's social relationships. While loneliness and depression differ, they're interlinked.
>
> STEMMING THE LONELINESS EPIDEMIC
>
> **PAGE 12**



Introduction

Kathleen Schulz
Global Innovation Leader, Organizational Wellbeing

General health and social connectedness are at the heart of many discussions about individual and organizational wellbeing. There's no single prescriptive solution for addressing these priorities, but that news is not all bad. Challenges arise when a gap exists between what employers think their employees want and what they actually do want. If organizations commit to bridging that divide, the implications for better attraction and retention outcomes are quite good.

Employers have an important role in managing the loneliness epidemic. As more employees are asked to spend more time at the office, helping them reconnect to the workplace can energize and unify the culture. Another vital aspect of support for workforce health is prescription medications. However, approaches to pharmacy benefits have become more difficult with drug costs increasingly complicated by future unknowns. Forced to confront coverage choices, employers face the unenviable task of maximizing novel, life-changing therapies without impairing program affordability.

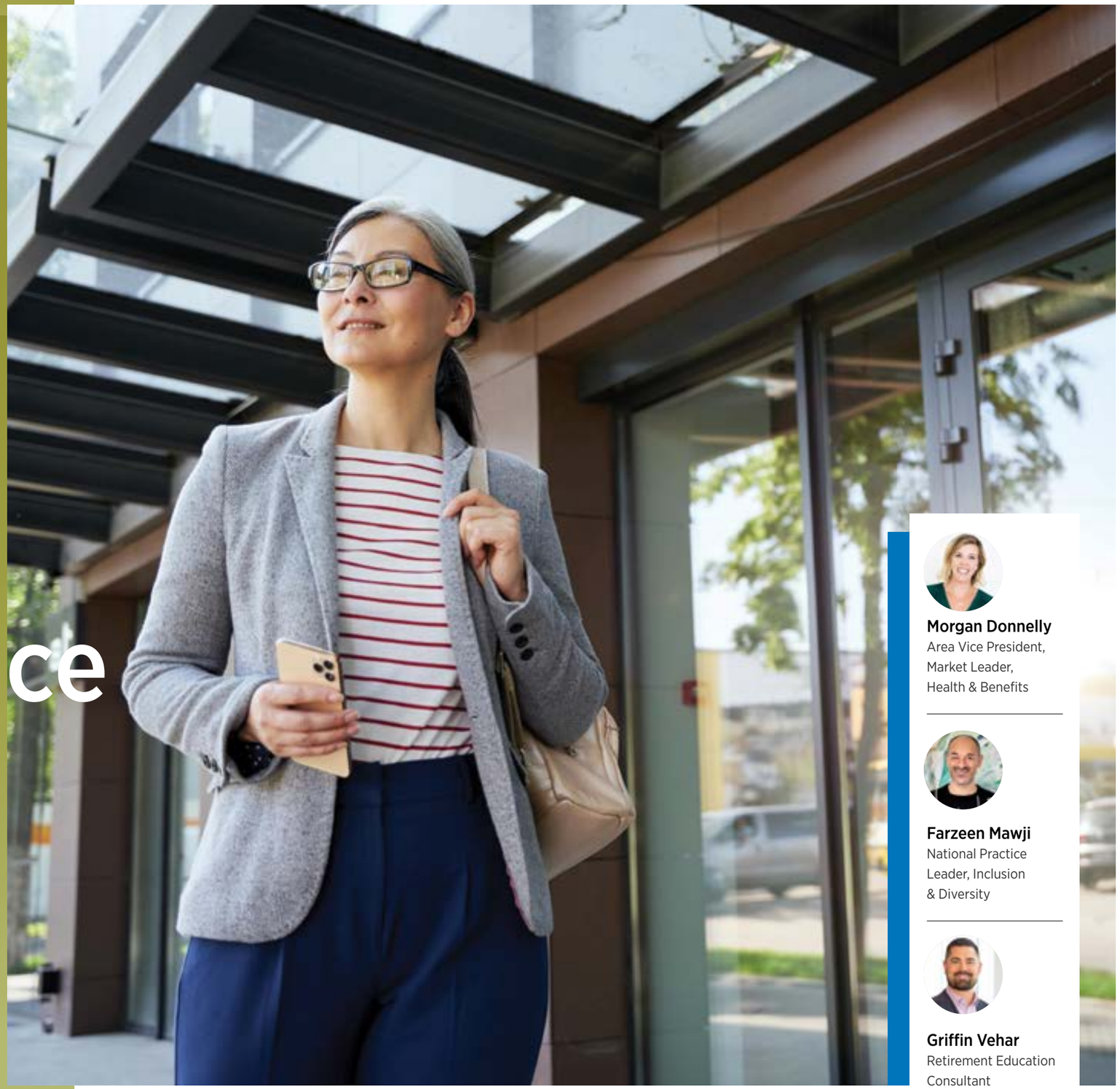
Communicating clear reasons behind key workforce decisions promotes understanding and acceptance. Actions can then validate intent. Flexibility in accommodating different employee circumstances and needs, while maintaining policies, shows intentional leadership and empathetic management. Through a willingness to listen and evolve, the best interests of employees and the organization align.

To help your workforce achieve their full potential, Gallagher has created an approach to benefits, compensation, retirement, employee communication and work culture unlike any other. Gallagher Better Works℠ centers on the strategic investments you make in your employees' health, financial wellbeing and career growth with a holistic focus on organizational wellbeing.

Managing The Effects Of

Return-To-Office Requirements

As employees are asked to spend more time in the office after extended periods of remote or hybrid work, some reluctance and readjustment challenges are likely. There's no template for a smooth transition. But a framework for considering key factors that affect employees' physical, emotional and financial wellbeing helps in making supportive decisions.



Morgan Donnelly
Area Vice President, Market Leader, Health & Benefits

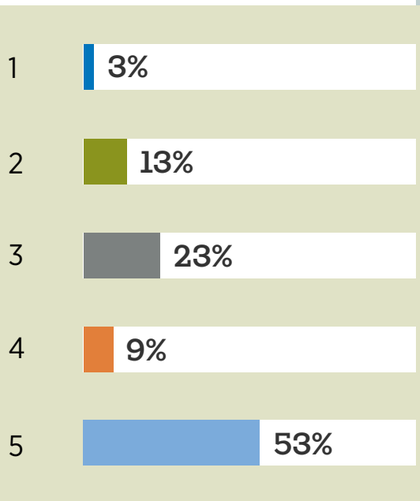
Farzeen Mawji
National Practice Leader, Inclusion & Diversity

Griffin Vehar
Retirement Education Consultant

Policies and other expectations for working in the office differ. But for many employers, they may have similar, unintended effects. Fundamental to creating a comfortable and productive environment for returning employees is identifying elements that contributed to those areas in the past, and still do. They serve an important purpose. Positive familiarity will likely be inviting and even grounding for many employees. From there, it's a matter of adapting policies and practices to the present.

The limits of remote work platforms to foster collaboration, connectivity and trust are very apparent to employers. Findings from a recent pulse survey show that nearly 7 in 10 expect their employees to work from the office at least 1 day a week, and either 5 days (53%) or 3 days (23%) are typically required. In roughly equal portions, the rationale given by most employers for this decision is either industry necessity or enhanced collaboration. Other interests include ensuring accountability, building social connectedness and increasing productivity.[1]

IN-OFFICE DAYS REQUIRED PER WEEK[1]



Seeking social connectivity

While remote work can be great for reducing attrition, improving performance and increasing employee satisfaction, it isn't always ideal for emotional wellbeing.[2] Working outside the office hinders social connectivity. In the US and several other countries, 7 in 10 workers feel they're not able to socialize enough when working remotely, and 2 in 5 associate a lack of face-to-face coworker interactions with loneliness.[3]

7 in 10

Workers feel they're not able to socialize enough when working remotely[3]

Among the key challenges of remote work for managers is an absence of visibility into employee wellbeing. It's often easier to spot symptoms of loneliness and burnout when regular interactions occur, either in-person or through digital video. Signs of tiredness, overwork, disconnection and a decline in motivation may be more readily apparent.[4]

Loneliness is closely linked to a person's psychological wiring and social experiences in life. Employees with a strong need for affiliation—who enjoy more connectivity, teamwork and collaboration—feel more lonely, stressed and anxious when working apart from others. Consequently, their interest in a hybrid arrangement or returning to the office full time may be greater. An exception, though, is those who are emotionally stable but prefer solitude. They're likely to have a much more positive remote work experience and a lower inclination to return to the office.[2]

For employees whose backgrounds and innate characteristics are not as well-represented within the workforce as others, the psychological impact of returning to the office may be more significant. A sense of otherness can make the transition more challenging at a deeply personal level. With more control over their work environment at home, there's less code-switching pressure to conform to majority norms. Taking practical measures to minimize discomfort in the office will leave employers better positioned to meet their goals for improved collaboration, social connectedness and productivity.

Considerations related to proximity and financial and physical wellbeing

Looking back, one positive aspect of the pandemic in many industries was an expanded job market. Remote work allowed employers to hire from outside their geographic area, and provided a welcome alternative for employees who left jobs because the workplace was not designed for their needs.

Current priorities that are shifting the work location balance back to an in-office presence have distinct advantages, but also bring the potential for unwelcome consequences. Some remote employees may have moved farther away, even beyond a reasonable driving distance from the office, assuming that working from home would be a permanent option. And many more may simply be frustrated with employment terms that suddenly changed.

Remote workers have also become accustomed to the financial benefits of working from home. Lower car mileage, less commuting time and savings on gas, parking and meals can be significant. But financial stressors that accompany a return to the office can compromise some of the positive social benefits.

Traveling to the office can make it more difficult for some employees to afford social opportunities at work such as lunches, happy hours and birthday celebrations. In fact, cost concerns prompt 72% to pass up gatherings with family and friends, as well as coworkers. Financial instability and debt has negatively affected the social wellbeing of about 3 in 5 employees (64%).[5]

72%

Employees who pass up gatherings with family, friends or coworkers because of cost concerns[5]

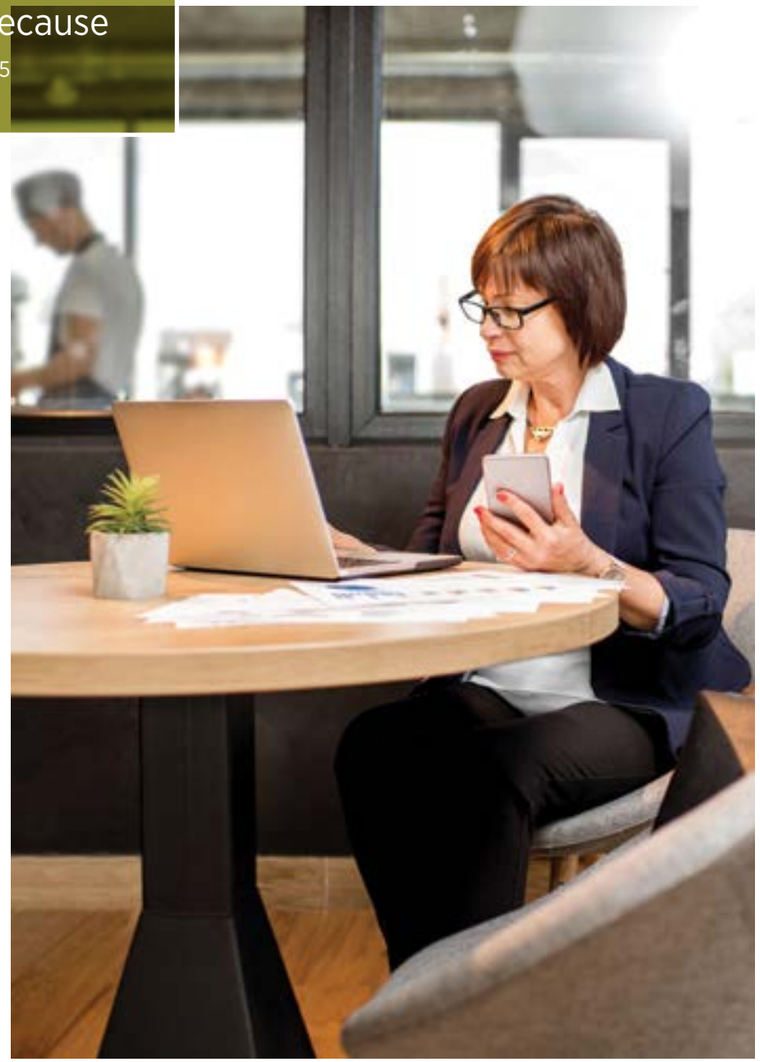
Asking employees to spend more time at the office comes with a responsibility to foster and nurture social connections. To avoid attrition, that commitment should extend beyond a transition period—constancy is a cultural imperative. Creating opportunities for socialization and bonding can help, as long as they don't add financial stress.

Managing different work styles with empathy

A multitude of considerations go into return-to-office decisions. Receptivity on the part of returning employees hinges on effective communication about the rationale for this change. Preparing managers to discuss expectations and help make accommodations supports a more comfortable and successful transition.

Minimizing employee frustration with the process of reaching an agreement on accommodations is key. Policies and practices that are accessible to as many people as possible provide a foundation, along with employers' flexibility and an openness to improvements. Through personalized guidance for making accommodations and choosing wellbeing resources, employers can also show their commitment to promoting a positive employee experience.

Managers must also make a transition. They need time to learn how to direct employees through the acclimation process, and that goal is a work in progress for many organizations. Providing guidance on how to set clear expectations and show empathy can reduce barriers for settling on accommodations, whether return-to-office or remote.



When someone alerts a manager to a life challenge, the response should be two-fold. Besides informing the employee of policies and services, it's important to offer help with accessing available resources. A direct action taken by someone who knows the employee has more impact than advice to contact HR, or to use the employee assistance program. For managers, remembering that visibility into fully remote employees isn't the same as providing effective support may require a conscious effort.

Outside assistance can help in forming effective employee resource groups or affinity groups, and evaluating approaches for improving mental health and reducing loneliness. Third parties may also offer experience in guiding challenging conversations with the workforce and analyzing feedback to reveal underlying sentiments. Strategic insights can then be applied toward meeting workforce and organizational goals, with a focus on taking care of specific needs and overall wellbeing.

> "Compliance and risk mitigation are essential return-to-office considerations, but a human-centered approach that values all workers in all life situations is equally important."

Better organizational outcomes from a human-centered approach

A disability or health condition affects 1 in 4 employees, but not all of them are visible.[6] Waiting until they're asked for an accommodation can put employers at a disadvantage and make it difficult to adapt, especially in the absence of a standardized process or a centralized budget. Establishing policies more strongly supports these employees, including those who face the added challenge of caregiving.

Compliance and risk mitigation are essential return-to-office considerations, but a human-centered approach that values all workers in all life situations is equally important. The Equal Employment Opportunity Commission recommends engaging in an interactive process that considers the interests of "both sides" when determining appropriate accommodations.[6] And regular reviews help ensure that solutions are still appropriate, such as verifying that remote work and office equipment requests are not cumbersome.

Clear objectives for returning employees to the office, paired with a proactive plan that establishes supporting policies, prepares employers for better outcomes. Implicit-bias training for employees at all levels, voluntary self-identification, and access to employee resource and affinity groups are among the key practices for establishing a welcoming culture. With a unified workforce, employers can create an environment that not only encourages returning to the office—but also staying with the organization.

[1]Gallagher, Organizational Wellbeing Poll: Social Connectedness, Performance and Health, July 2023

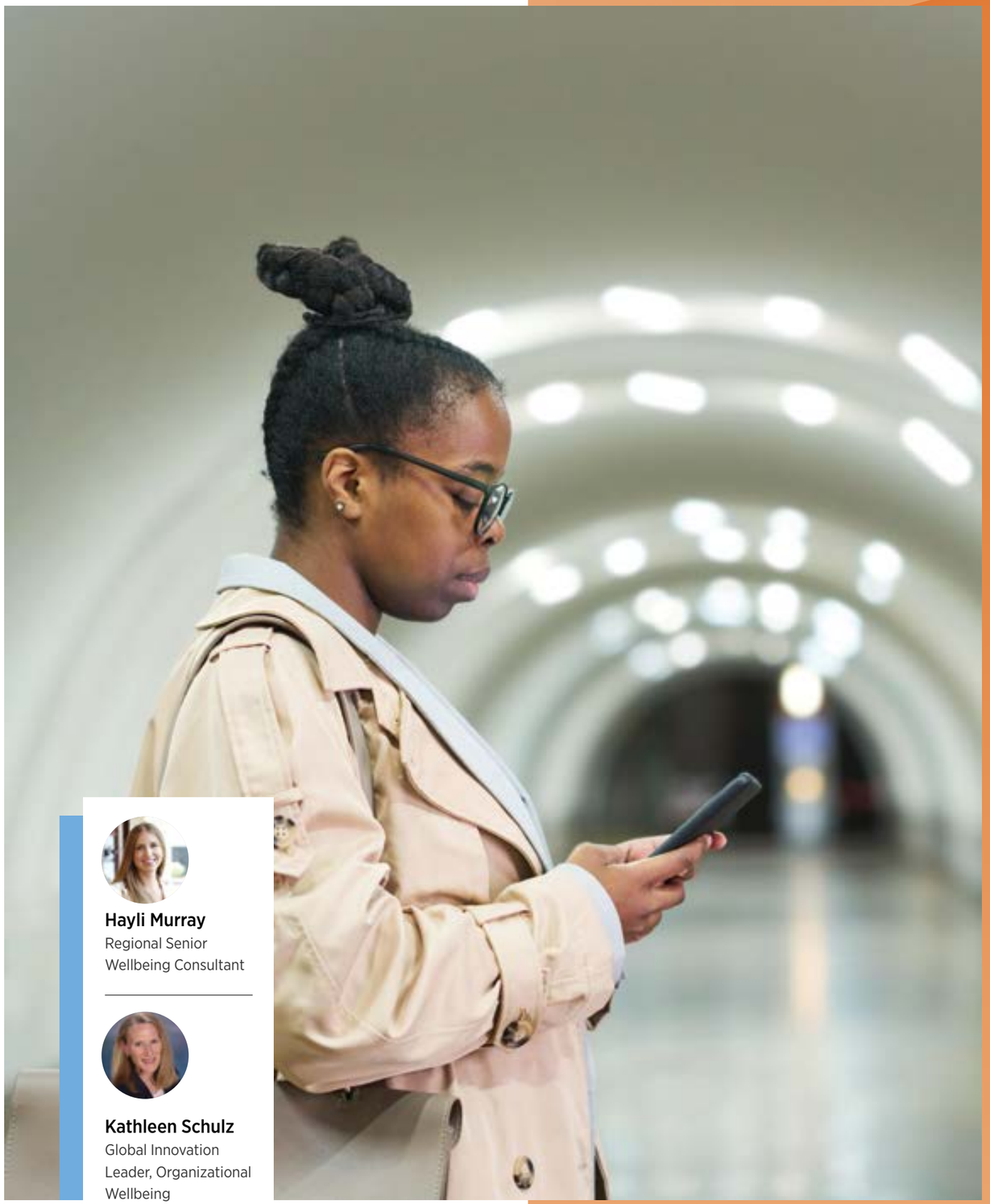
[2]Psychology Today, "Preventing Loneliness in Remote Working," October 2022

[3]SHRM, "Lonely at Work," February 2023

[4]Lyra Health, "How to Deal with Loneliness: A Growing Workplace Challenge," July 2023

[5]Employee Benefit News, "Financial stress is taking a toll on employees' social lives," July 2023

[6]The New York Times, "What a 'Human-Centered' Approach Can Do for Workers with Disabilities," July 2023



Hayli Murray
Regional Senior Wellbeing Consultant

Kathleen Schulz
Global Innovation Leader, Organizational Wellbeing

» WOMEN'S LEADERSHIP ARTICLE

Stemming The Loneliness Epidemic

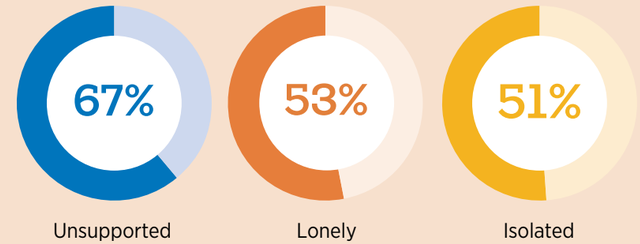
More than 50 years ago, a Beatles song lyric suggested that listeners "look at all the lonely people." And now, the US Surgeon General is using his platform to deliver a more urgent message about the need for action. Loneliness and isolation are epidemic—about 1 in 2 adults have felt the effects in recent years.[1] In fact, since 2003 Americans have not only experienced an increase in isolation, but also a decrease in companionship and social engagement.[2]

Work is contributing to loneliness. That's especially true for women who achieve increasing professional success, whereas men at senior levels are significantly more likely to say career progression decreased their loneliness or isolation. Nearly 70% of women feel unsupported, 53% feel lonely and 51% feel isolated because of their job.[3] For those in leadership roles, this state of distress or discomfort is often more acute—particularly among women of color.

Effects of widespread loneliness on all facets of wellbeing

Loneliness is often difficult to describe and diagnose. It's a wholly subjective experience, but simply put, it describes a feeling of inadequate social connections that can occur even in the presence of others. Conversely, people may not feel alone when they're by themselves. Feelings of loneliness have more to do with the quality than the quantity of a person's social relationships. While loneliness and depression differ, they're interlinked.

COMMON EMOTIONS WOMEN FEEL AS A RESULT OF THEIR JOB ROLE[3]



Prolonged feelings of isolation are more detrimental to wellbeing than people might think. In fact, lacking social connection can be as dangerous as smoking up to 15 cigarettes a day. Health risks of loneliness include cardiovascular disease, dementia, stroke, anxiety and premature death. At work, employees may be less engaged, which could diminish their performance and productivity.[1]

Women in leadership roles frequently respond to loneliness with negative coping behaviors such as alcohol or drug use, overexercising or overspending.[3] The consequence of these choices is reduced social connectedness that contributes to emotional distress and more loneliness.

> Feelings of loneliness have more to do with the quality than the quantity of a person's social relationships. While loneliness and depression differ, they're interlinked.

Helping to ease, if not cure, loneliness could not be more important for employees and organizations. Emotional, physical, financial and career wellbeing are interconnected. Positive or negative developments in one dimension tend to improve or diminish the others, creating circular patterns that are hard to disrupt.

Considering, measuring and gradually addressing loneliness

If employers are well-attuned to their workplace culture, they may already be familiar with loneliness and its repercussions, at least to some extent. Even with growing awareness, mitigating loneliness and its effects on employee wellbeing and productivity will be an ongoing pursuit—one that's necessary for optimizing individual and organizational performance. So far, just 10% of employers have addressed loneliness in the workplace, and 3% have measured its prevalence.[4]

The main reason for hesitation is uncertainty about the scope of loneliness and how to approach this issue. However, a better understanding of these unknowns may prompt employers to act. By partnering with qualified vendors, they can determine solutions that offer the best potential for their own organization and also discover emerging best practices. Enhancing social connectedness is a strategic priority for 49% of employers, and by 2025 that number may grow to 70%.[4]

Loneliness is not a female or a male issue. It's a universal challenge. However, highlighting the loneliness of women may provide the visibility and interest needed for leadership to consider all employees in conversations about this topic. Acting to lower attrition should be a key discussion point. Nearly 53% of women have recently declined a job, a promotion, quit or stopped working altogether because of the negative impact on their personal life.[3]

Compassionate leadership as a learning process

The competencies that leaders and managers need to be successful are different than they were just three years ago. Currently, only 21% of employers say their managers are internally viewed as supportive.[4] This finding is clearly a sign of extensive skill gaps, and a pressing need to equip employees at all levels to work effectively in today's environment. Interestingly, while female leaders report higher levels of loneliness at work than their male counterparts, they also rank more highly at providing emotional support, checking in on overall wellbeing and taking action to help manage burnout.[5]

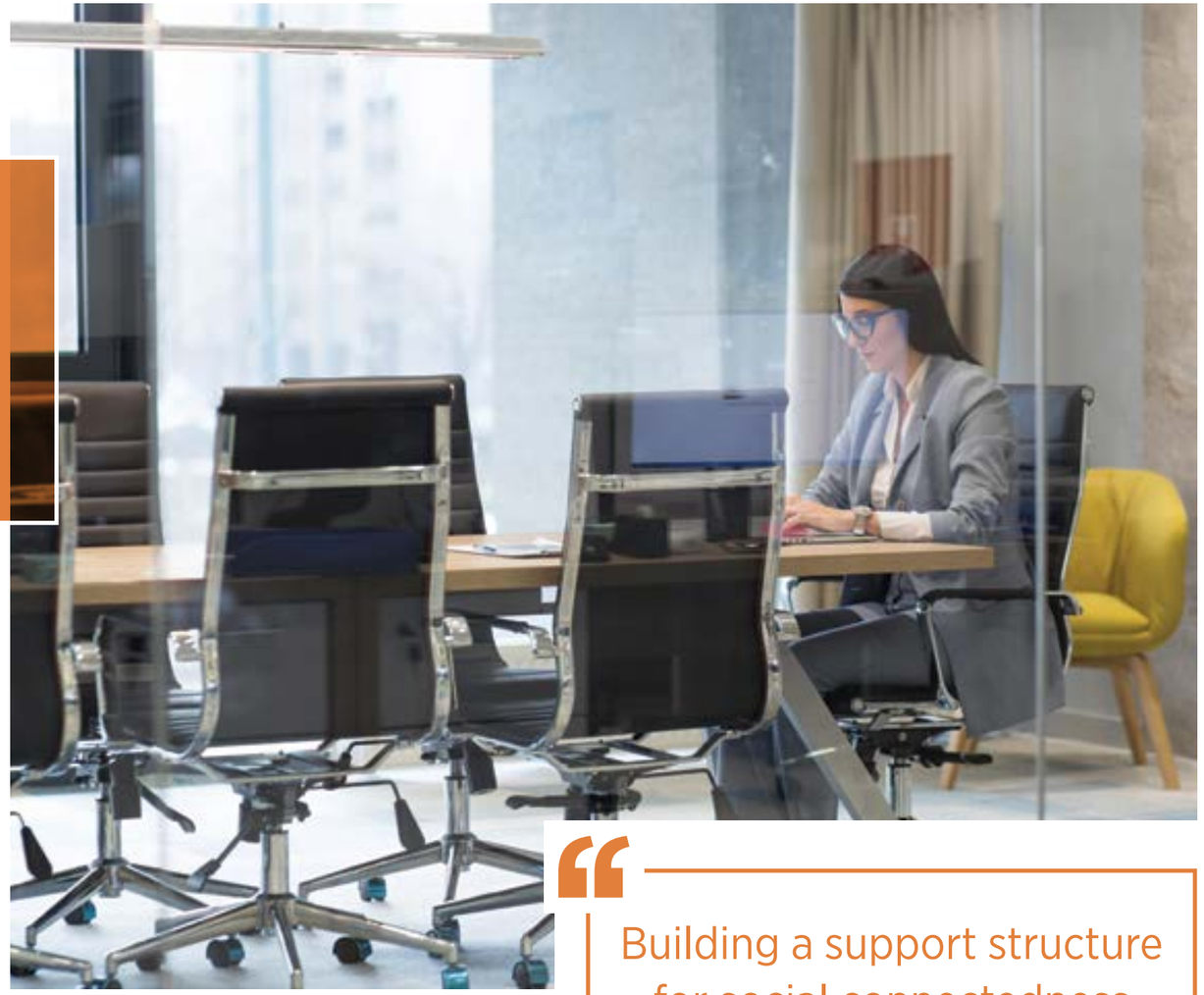
Only about

1 in 5

Managers are viewed as supportive[4]

Female leadership can increase team engagement as it helps to decrease loneliness. The estimated savings impact of female management styles on organizations, before the cost of replacing a disengaged employee, is $1.43 million for every 1,000 employees.[5] Women leaders also do more to support employee wellbeing and foster diversity, equity and inclusion (DEI). Rewarding and formally recognizing their contributions can substantially influence higher satisfaction and retention levels.

Although research suggests that women may innately lead with more compassion, all leaders can learn a sympathetic orientation.[5] Taking time to connect with direct reports to check in on workload and other challenges is especially important because it builds relationships. Regular, positive interaction is a simple and inexpensive tool for reducing or preventing loneliness. Training, peer coaching and advisory circles also help to improve understanding and guide more inclusive approaches.



Focusing on progress over perfection

Building a support structure for social connectedness can help ease feelings of loneliness and motivate employees to apply their talents to the fullest extent. Integrating DEI, compassionate leadership and mentorship into the culture adds accountability, while helping to transform the contributions of "invisible labor" into distinct and valued skillsets.

> Building a support structure for social connectedness can help ease feelings of loneliness and motivate employees to apply their talents to the fullest extent.

Offering mentorship, community-building opportunities and management training are some of the steps employers can take to help reduce loneliness and fortify employee wellbeing. Loneliness is job-class neutral, so providing access to mentors for those at lower levels within the organization will allow more equitable support.

Existing resources for orientation, training and wellbeing may offer an entry point for educating the workforce about the importance of social connectivity to employee and organizational success. For employers, markers include health, productivity, performance, retention and other outcomes.[1] Beyond mentorship and community support such as volunteering, intramural activities, and affinity or employee resource groups, flexible work or similar policies make it easier to nurture relationships outside of work.

Measuring and learning to manage the effects of loneliness on employees is new ground for many organizations. It's important to remember that loneliness at work didn't start overnight and won't be solved overnight. It's okay for employers to experiment with approaches. Learning is a discovery process and all efforts toward progress show integrity and an authentic commitment to achieving the end goal, no matter how long it takes.

[1]U.S. Department of Health and Human Services, "Our Epidemic of Loneliness and Isolation," May 2023

[2]National Library of Medicine, "US trends in social isolation, social engagement, and companionship," March 2023

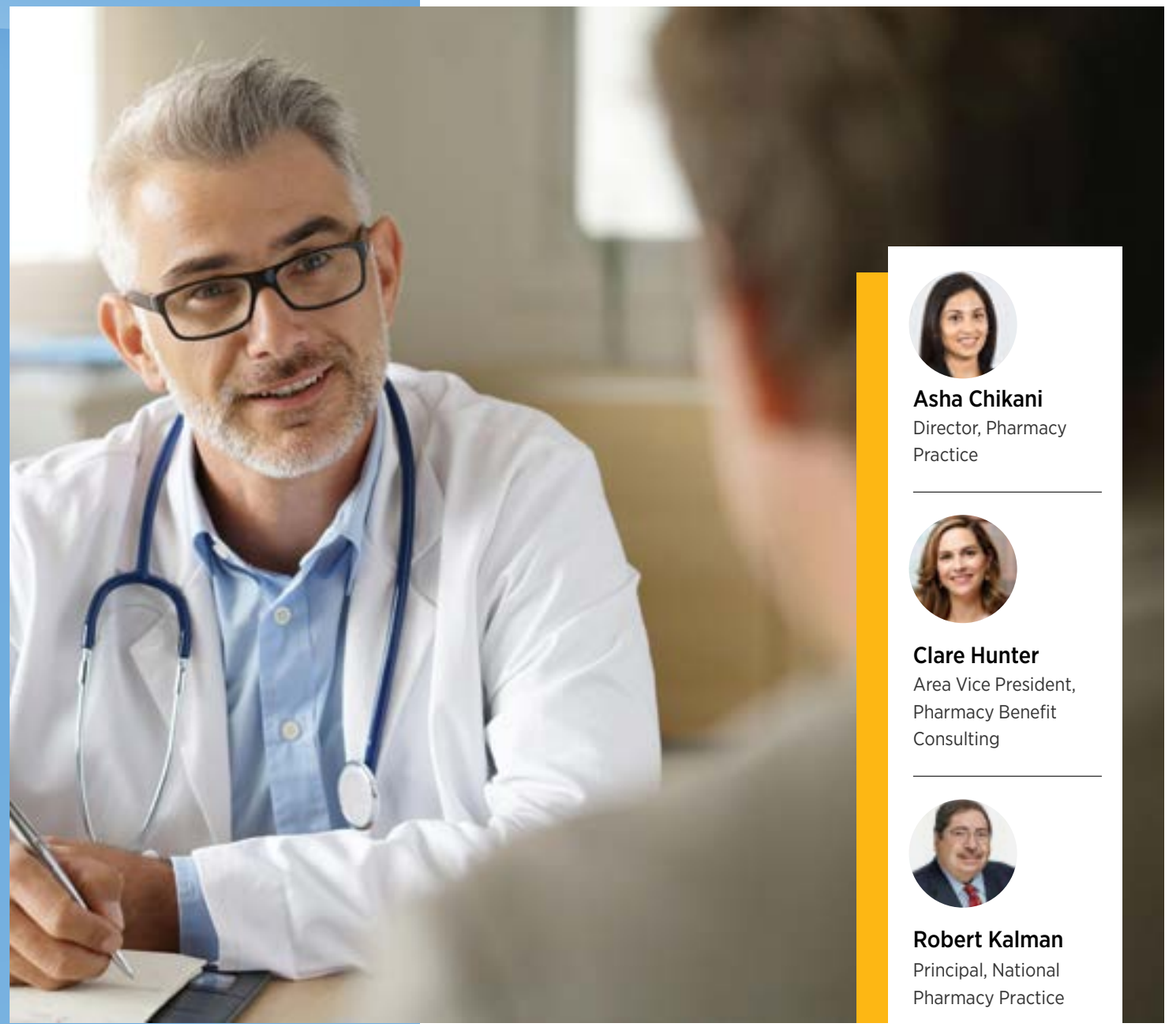
[3]Berlin Cameron, "The Cost of Loneliness: Women, Work and The Invisible Force That's Undermining Them As They Rise," February 2023

[4]Gallagher, Organizational Wellbeing Poll: Social Connectedness, Performance and Health, July 2023

[5]Harvard Business Review, "When Women Leaders Leave, the Losses Multiply," March 2022

Leveraging Guidance

On Weight Loss Medications And Gene Therapies



Asha Chikani
Director, Pharmacy Practice

Clare Hunter
Area Vice President, Pharmacy Benefit Consulting

Robert Kalman
Principal, National Pharmacy Practice

Employers face some important new challenges in providing attractive and sustainable pharmacy benefits to their employees. At the forefront is a new class of weight loss medications and an expanding set of gene therapies that are coming to market.

These treatments represent step-change improvements in patient care, but they also have potentially dramatic cost implications for employers that choose to cover them. Weight loss medications (WLMs), also known as anti-obesity medications, are both a major opportunity and concern for employers. Obesity is prevalent in the US population, and it's linked to a number of costly conditions.

A turning point that changed WLM prospects

Treatment options for obesity were mostly geared toward behavioral interventions for the past few decades and have generally shown limited sustained effectiveness. Bariatric surgery is an exception, but the procedure is expensive and carries some risk for patients. While some WLMs made it to market, they did not prove to be safe and effective enough to serve as an attractive alternative.

This situation has changed with the emergence of GLP-1 agonist drugs. First developed to treat diabetes, the discovery of their ability to promote weight loss has led several pharmaceutical companies to pursue indications for this purpose. Products have entered the market, with more in development, and a significant number of employers already cover them.

Trends affecting current and future adoption

New WLMs are the top trend driver in the pharmacy space for 2023, and their impact is only expected to increase due to several important factors. While these drugs carry a high monthly cost per patient, employers can reasonably expect health benefit savings to partly offset the expense over time. Loss of excess weight tends to reduce comorbidities. As a result, population health should increasingly improve. Savings will probably take several years to fully materialize, but in the meantime, the impact of WLMs on pharmacy benefit plan costs is immediate.

Potentially, many people will want to take WLMs. About 40% of US adults are obese, defined as those with a body mass index (BMI) of at least 30. And an estimated 30% are considered overweight because their BMI registers between 25 and less than 30.[1] Others, without medical grounds, may just want help in shedding unwanted pounds. A new poll shows that 45% of US adults are interested in taking a prescription medication for weight loss.[2]

Nearly

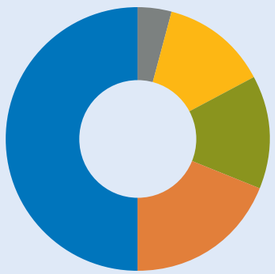
1 in 2

US adults are interested in taking a prescription medication for weight loss[2]

The recommended duration for treatment is uncertain. Clinical evidence for these drugs shows that results are not usually sustained when patients stop receiving treatment. Assuming that experience applies to employee and dependent populations, WLMs will potentially become long-term chronic therapies for many pharmacy plan members.

While all the newest WLMs are injectable, oral formulations that delivered promising results in clinical trials are in development. If and when the FDA approves them, they'll likely lead to even more employee interest since they remove an important utilization barrier for many patients.

APPROACH TO COVERING ANTI-OBESITY MEDICATIONS[3]



50% None, excluded as cosmetic

19% Covered with utilization management for morbid obesity and weight-related comorbidities

14% Covered on formulary without utilization management

13% Covered with non-specific utilization management

4% Covered with utilization management and behavioral program integration

Employer strategies for WLMs

The best design strategy for WLM benefits depends on the unique characteristics of employee and dependent populations. Based on that analysis and their overall benefit design philosophies and values, some employers will provide coverage for WLMs while others will decline the opportunity, at least for the time being.

For employers that want to test the merits of coverage, investing some time in a strategic and holistic approach will help provide a reliable view of potential benefits. Helping to ensure the right plan members have access to WLMs and they follow instructions for use is essential.

Certain utilization management (UM) choices have proven effective for many employers, such as requiring verified biometrics. If the plan member's BMI is used as a criterion for WLM approval, weight and height measurements must by checked for accuracy. Telemedicine prescribers are likely to receive self-reported biometrics, which could be suspect, but requiring chart notes and documentation from an onsite visit with a provider offers a solution.

Employer-sponsored wellbeing programs that focus on diet and lifestyle modifications encourage more comprehensive weight management, especially when they require active participation for WLM access. As part of the prior authorization process, the program vendor can send an eligibility file to the pharmacy benefit manager (PBM).

These approaches have worked for some employers, but they aren't necessarily typical UM practices. So they may require process auditing to check for proper implementation by the PBM. It's also important to align PBM contract terms with UM approaches to avoid reduced rebates. Finally, effective employee communications have considerable influence on the results, and a key message to get across is that WLMs are just one factor in successful weight management. Familiarizing employees with UM criteria and the reasons behind them can minimize misunderstanding.

The growing financial risk of gene therapies

Gene therapies constitute a remarkable breakthrough in healthcare. They introduce transformative cures for chronic or ultra-rare conditions that were either extremely expensive to treat or untreatable. In 2023, for instance, the FDA approved a gene therapy to treat select forms of hemophilia that will replace or significantly reduce the use of specialty medicines for this condition.

Plan members who are eligible for these therapies are likely to find them life-changing. However, treatment costs can be exorbitant—averaging $1–$2 million per dose.[4] Employers also have to consider that future savings associated with gene therapies may not apply to them, due to turnover in their employee population.

Conditions with therapies available are extremely rare at the moment, which makes the odds of a claim quite low for plan sponsors except, perhaps, some of the largest. But a large pipeline of gene therapies is in late-stage development. As the number of approvals increases over the next few years so will the total cost of treatments, along with the likelihood that employers of all sizes will have at least one plan member who can benefit.

$1–$2 million

Average cost of a gene therapy per dose[4]

Employers can avoid financial risk by choosing not to cover gene therapy treatments. Given the implications for affected employees, though, that decision may become increasingly unsustainable despite the growing financial risks associated with coverage. One of the biggest questions about gene therapy for most employers is not if the cost will hit their bottom line, but when.

Financial risk management for gene therapies

A top priority in managing the financial risk of covering gene therapies is assessing the organization's likely exposure over the next few years. Evaluating the timing of new therapies in the development pipeline and the potential number of plan members eligible for treatment is a critical step. With this forecast, employers have a basis for informed coverage and risk management decisions.

Some plan sponsors have used alternative funding vendors for specialty medications to help cover the costs of gene therapies and other expensive treatments. In many cases, substantial savings opportunities have followed—but this practice is currently in dispute. Several pharmaceutical companies are challenging the legality, tightening the requirements of their alternative funding programs or taking both actions. Consequently, program availability could be limited.

These alternative funding programs can also create member noise if they're a requirement for access to gene therapies. To avoid or temper that response, employers can position this stipulation as a second prior authorization for financial case management, in addition to the clinical authorization. But the optics can be troubling when programs are intended for patients without adequate financial resources, especially if they're on the hook for 100% of the treatment costs if they don't use the program. Adding to these concerns, the shelf life of this option is likely to last a year or two at most. Considering these factors together, many employers have been reluctant to implement programs.

Stop-loss programs specific to gene therapy

Specialized programs are a management consideration for the financial risk posed by gene therapies. While an employer can submit claims under general stop-loss policies, they typically lead to an increase in future premiums. Programs expressly designed for gene therapy are closely aligned with the unique features of contributing risks, and they spread the overall risk among a group of participating employers. Employer-specific penalties for claims are avoided.

The most common stop-loss program for gene therapy charges participating employers a fixed per-member-per-month fee. High claims expenses have set that amount at nearly $1 dollar, but if the actual total cost of claims paid in one year is less than the premiums collected, credits are applied to each participant in the following year.

When considering programs designed for gene therapy, employers should evaluate the coverage in detail. It's important to understand what the exclusions are, whether there is first-dollar coverage, and how soon that insurance takes effect after a new gene therapy is approved. Also noteworthy are other coverage requirements, such as the location of the healthcare delivery organization designated as the center of excellence for each therapy. Many patients may need to receive care at a non-local site, which travel benefits can address.

PBM contract language reviews

Paying close attention to the terms of their contracts with PBMs will help employers manage the specific challenges associated with WLMs and gene therapies—and it's an important benefits management strategy in general. Intense competition among these third parties has created somewhat of a buyer's market, characterized by highly negotiable financial and non-financial terms. However, decision flexibility often ends once the contract is signed, since PBMs typically don't deviate from the original language.

> Paying close attention to the terms of their contracts with PBMs will help employers manage the specific challenges associated with WLMs and gene therapies.

Non-financial terms such as definitions, market check language, or drugs that are excluded from rebates or minimum rebate guarantees can heavily influence financial results for employers. To protect these interests, careful review of proposed contract terms by a seasoned pharmacy benefit consultant is essential. Typically involving multiple drafts, this process helps to ensure that implications are fully understood, and the organization is able to obtain terms that best support their needs and objectives.

PBM vendors are a key part of the equation for specialty medication management. They bring experience in meeting both specific challenges and supporting the pharmacy benefit plan's overall success—but these relationships can present their own complexities for employers. Paying close attention to contract language is especially important.

It's a pivotal time for healthcare. Excitement about a burgeoning pipeline and approvals for specialty medications and therapies is checked by the reality of discouraging costs. So only a comprehensive strategy will do. Changes are creating new challenges and opportunities that raise the stakes for pharmacy benefit considerations, and with structured guidance, employers can make sense of complex decisions.

[1]Centers for Disease Control and Prevention, "Defining Adult Overweight & Obesity," June 2022

[2]WebMD, "Curiosity About Weight Loss Drugs Opens Treatment Doors," August 2023

[3]Gallagher, Organizational Wellbeing Poll: Social Connectedness, Performance and Health, July 2023

[4]Genetic Engineering & Biotechnology News, "Cell and Gene Therapy Manufacturing Costs Limiting Access," February 2023

Clearing The Blind Spot

Between Employer Perceptions And Employee Preferences

James Allen
Director, People Experience & Innovation

Alex Manfrediz
National Managing Director, People & Workplace Insights

Total rewards preferences among the workforce have always differed somewhat from employers' perceptions. In recent years, tight labor markets have given current and future employees more leeway to press their interests, often with high expectations that are challenging to meet.

A blind spot to what engages and satisfies employees can misdirect financial investments and other efforts to attract, retain and engage talent. And it's a risk organizations can't afford to take.

What's behind the disconnect

Despite contradictory findings, there's a tendency among employers to believe their workforce is in a healthier state than it really is. And this view applies to all core dimensions of wellbeing—physical, emotional, career and financial.

Proper research is required to avoid the pitfalls of presuming employees' preferences are clearly understood. With the right data, HR leadership can dispel a common notion among senior executives that decisions about total rewards, and other elements of the employee experience, are more effective than they really are.

Organizational leaders are in a position of authority, and likely have relatively high autonomy and income, so they tend to be more upbeat about the quality of their own work-life experience. They score higher on factors related to wellbeing, satisfaction and engagement. Statistically, senior executives and other leaders are 1.4 times more positive about key aspects of their work environment, and life in general, than other employees.[1] Because of this outlook, they tend to assume their preferences match those of other employees.

What often transpires is a fundamental disconnect between employer perceptions and employee preferences. Dissolving this blind spot is the first step toward proactive and strategic change.

Aligning employer perceptions and employee preferences

Best practices for better communication among all employees and an optimal employee value proposition (EVP) help align employer perceptions and employee preferences. To close gaps and keep them closed, it's necessary to monitor, measure and improve these efforts. A commitment to regular adjustments can support attraction, retention and engagement indefinitely.

Two-way communication and informed action

Overstating the value of communication in enhancing the employer-employee relationship is difficult. Blind spot issues can get in the way of realizing the benefits of connectedness, but a focus on direct and effective interaction with the workforce offers a solution. Once this practice is embedded, insights gained are likely to drive decisions based on better information about what employees value the most.

Regular feedback, whether gathered formally or in real time, allows closer alignment of resource investments with employee preferences. Engagement and employee experience surveys are a unique source for candid responses. And interactive opportunities such as town halls, skip-level meetings, group discussions and onboarding or exit interviews add another dimension of insight on targeted topics. Along with the data, individual comments keep leadership in touch with the employee point of view.

WORK-LIFE EXPERIENCE POSITIVITY RATINGS—LEADERSHIP VS. OTHER EMPLOYEES[1]

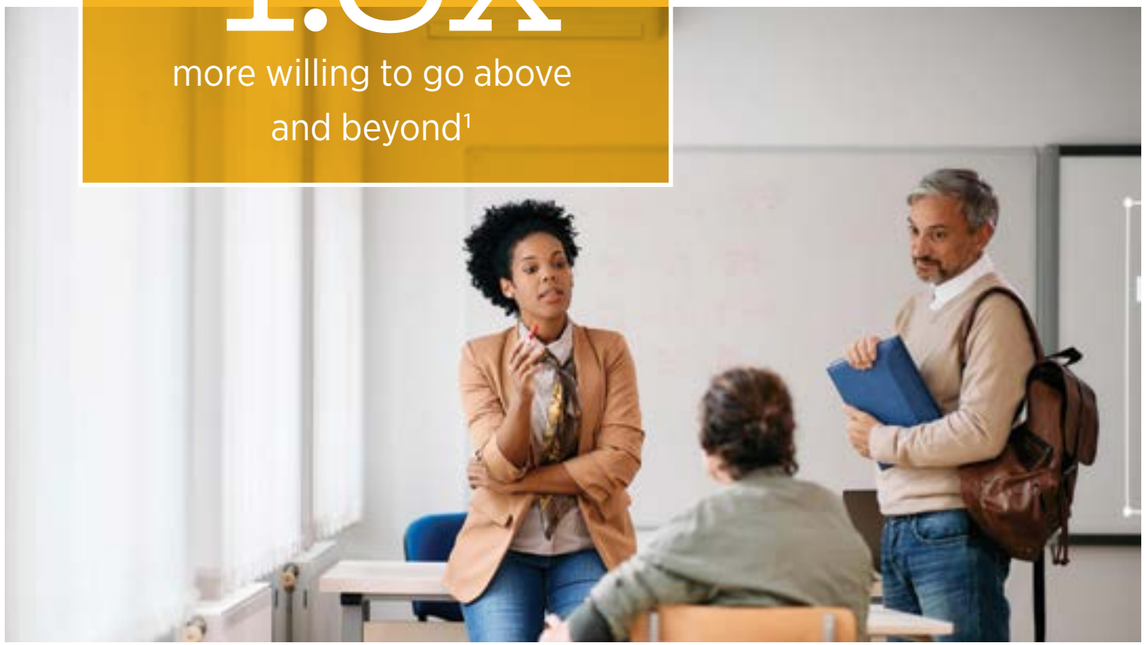
	Wellbeing	Engagement	Intention to Stay	Life Factors–Satisfaction	Organizational Factors–Satisfaction
Senior Leader/ Executive	65%	74%	81%	69%	77%
Other Employees	46%	52%	62%	48%	58%

To be effective, communicating with the workforce to understand what they value most requires leaders to follow through on the information and insights they gather. Once expectations are set, a demonstrated effort to support their preferences is important to showing integrity of intent. Employers can lay the foundation for success with a plan to compile findings, bring them to the executive table—and incorporate actionable suggestions into total rewards and workplace culture. Employees who are confident in their organization's ability to take meaningful action are more likely to be engaged and productive.

Employees who are confident in their organization's ability to take meaningful action are

1.3x

more willing to go above and beyond[1]



Honing, promoting and actualizing the EVP's promise

A well-designed EVP aligns the organization's mission and culture with employee values. Winning characteristics include the ability to both connect with recruits and motivate them to stay. Used consistently, this approach grounds investments and other decisions in wellbeing considerations, helping to steadily increase retention. Research shows that less than half of workers (44%) agree that their organization's EVP reflects the actual work experience.[2]

Getting it right requires workforce input. A good indication that the EVP will land with employees is leaders' and managers' genuine inclination to speak confidently about it. They should be motivated to ask others for feedback, draw on elements that resonate the most and inform the sourcing team of these findings. Keeping the EVP at the forefront of decision-making helps ensure a cohesive and genuine message to employees on how the organization truly identifies and differentiates itself.

EMPLOYEE VALUE PROPOSITION

The promise that convinces people to join an organization and the lived experience that motivates them to stay.

The imperative of an evidence-based approach

Data access and analysis provides the clearest window into strategic applications for optimizing the employee experience. When employers effectively use data for a targeted and personalized approach to addressing workforce preferences, they can increase their competitive advantage.

Among lean HR departments, technology advancements have quickly become a necessity for driving more efficient data collection, integration and use. Automation is already helping to streamline some tasks, a first step toward allowing more focus on processes that are still improved by human imagination and insight.

Assessing and reassessing for a steady ROI

Assessment of current employee experience data, at regular intervals, helps ensure that employers stay tuned to quickly evolving preferences. Also key is interpreting and applying direct feedback from deliberate and strategic communication with the workforce.

When considering investments, testing both existing and new initiatives is likely to offer more precise and informative insights into valued programs and benefits than external benchmarks alone. Results should also help to inform personalization and implementation choices. But the guiding principle for success is whether decisions embody the EVP. Following this process provides a continuous feedback loop that allows this foundational strategy to evolve.

There's no question that attraction and retention are top business priorities in tough labor markets, and recent experience has reminded employers of just how unpredictable and persistent conditions can be. Employees have set increasingly high standards for what they expect from their work experience, pressing employers to prioritize total rewards and a workplace culture that stand up to the competition.

The learning curve isn't easy, especially when what employees value at the time they're hired may change later on. As always, salary and benefits tend to be the top factor in choosing an organization. Engagement and the intent to stay are then driven, for the rest of their tenure, mostly by meaning and purpose in their roles, long-term career development opportunities and the employers' ability to manage change.

Aligning financial investments with employee preferences is now an ongoing change management process of its own. However, through intentional and iterative approaches, and input from their workforce, leadership can guide executive-level decisions that are verified and refined by first-hand experiences on the ground. Twenty-twenty vision so often benefits from a closer view.

[1]Gallagher, "Workplace Wellbeing Index—Australia Edition," May 2023

[2]Gallagher, Organizational Wellbeing Poll: Company Culture and Trust, and Employee Awards and Recognition, May 2023

DATA DRIVES DECISIONS™

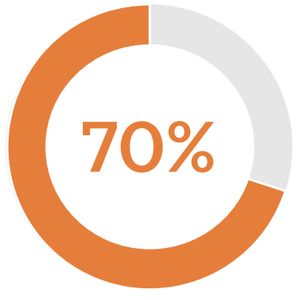
Retaining Employees Through Recognition

Thousands of US employers ranked employee retention as their No. 1 operational and HR priorities in 2023.[1] But retaining employees doesn't happen without a conscious effort. Many factors count, from career growth opportunities to compensation—and recognition for contributions.

While rewards and recognition may not be leading indicators for keeping talent from leaving, data shows these acknowledgments matter. A quick look at how other employers approach this important aspect of the employee experience can provide insight into potential improvements.

Why Does Employee Recognition Matter?

Recognition for contributions ranked as one of the top 5 retention drivers for 2023[2]

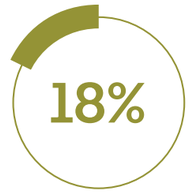


Have either implemented structured employee recognition programs or they're considering them[3]

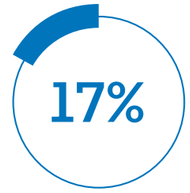
4 Ways Organizations Are Recognizing Employee Performance

Thirty-eight percent (38%) of employers recognize superior performance.[1] Many also rely on guidance from supporting polices to make effective decisions[3]:

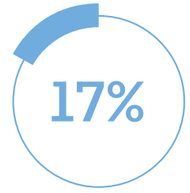
Provide monetary rewards like bonuses, profit-sharing or merit-based salary increases



Offer training and development opportunities to help employees grow professionally



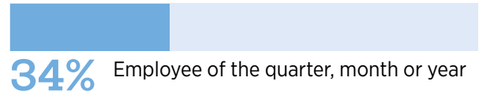
Have a formal performance review process that includes both feedback and rewards for good performance

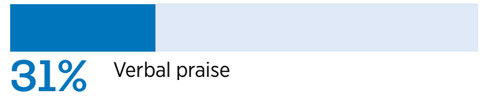


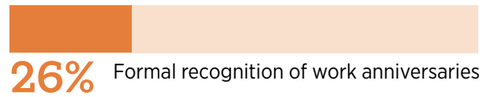
Cultivate a supportive experience through open dialogue, recognition and team building

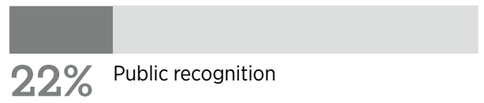
Make It Meaningful

How rewards and recognition are delivered affect how they're received. About a quarter to a third find that employees show an especially positive response to five methods[3]:









Get Leadership Involved

Most organizations provide best-practice training to help leaders recognize employee contributions in ways that matter the most. Consistency promotes inclusive and equitable approaches.

Train or are considering training leaders[3]

SCAN AND LEARN MORE

Get benchmarking data on how employers like you are approaching the employee experience at their organizations, available in **Gallagher's US Career Wellbeing Report**, released in August 2023.

[1]Gallagher, "2023 Workforce Trends Report Series: Career Wellbeing," August 2023

[2]Gallagher, "Employee Experience and Engagement Trends," April 2023

[3]Gallagher, Organizational Wellbeing Poll: Company Culture and Trust, and Employee Awards and Recognition, May 2023

Contributors

James Allen
James_Allen@ajg.com.au

Asha Chikani
Asha.Chikani@buck.com

Morgan Donnelly
Morgan_Donnelly@ajg.com

Clare Hunter
Clare_Hunter@ajg.com

Robert Kalman
Robert.Kalman@buck.com

Alex Manfrediz
Alex_Manfrediz@ajg.com

Farzeen Mawji
Farzeen_Mawji@ajg.com

Hayli Murray
Hayli_Murray@ajg.com

Kathleen Schulz
Kathleen_Schulz@ajg.com

Griffin Vehar
Griffin_Vehar@ajg.com

PRODUCTION

Kathleen Schulz
Kathleen_Schulz@ajg.com

Stacy Silkaitis
Stacy_Silkaitis@ajg.com

Cindy Stearns
Cindy_Stearns@ajg.com

RESEARCH & REPORTING

Stephanie Bauman
Stephanie_Bauman@ajg.com

Sarah Daley
Sarah_Daley@ajg.com

Laura Huff
Laura_Huff@ajg.com

Jack Nightingale
Jack_Nightingale@ajg.com

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 Works℠—a comprehensive approach for strategically investing in benefits, compensation, retirement and employee communication so you can support the health, financial confidence 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.

Arthur J. Gallagher & Co. (NYSE:AJG), a global insurance brokerage, risk management and consulting services firm, is headquartered in Rolling Meadows, Illinois. Gallagher provides these services in approximately 130 countries around the world through its owned operations and a network of correspondent brokers and consultants.

Gallagher

Insurance | Risk Management | Consulting

AJG.com **The Gallagher Way.** Since 1927.