Gallagher Better Works℠

INSIGHTS

Gallagher

Insurance | Risk Management | Consulting

2024 ISSUE ONE | US EDITION

Table of Contents

> Support for diverse careers helps to break down stereotypes about what successful leadership looks like and what careers are valid — highlighting the most empowering aspects of non-linear and unconventional paths.
>
> EMPOWERING WOMEN IN LEADERSHIP THROUGH PRACTICAL DEI
>
> **PAGE 18**

Kathleen Schulz
Global Innovation Leader, Organizational Wellbeing

Introduction

Flexibility, equity, recognition, and strategically applied resources are recurrent themes and priorities, as employers evaluate total rewards as part of their employee value proposition (EVP). Policies that improve equity are needed — related to pay, health, and careers — and that calls for changes to certain processes. Potentially, they include specialized approaches for different audiences and employee needs.

Looking at financial wellbeing and leaves with a fresh perspective is helping organizations think differently. They're better able to envision the diverse and multinational needs of employees, and address them in new ways. While building in the flexibility to support individual needs is restricted by legal and structural requirements, and complicated by employee demands, there's still room to maneuver. Working with limited resources is less challenging when employers make strategic use of technology and consult with knowledgeable advisors. These resources help in navigating complex regulations and laws.

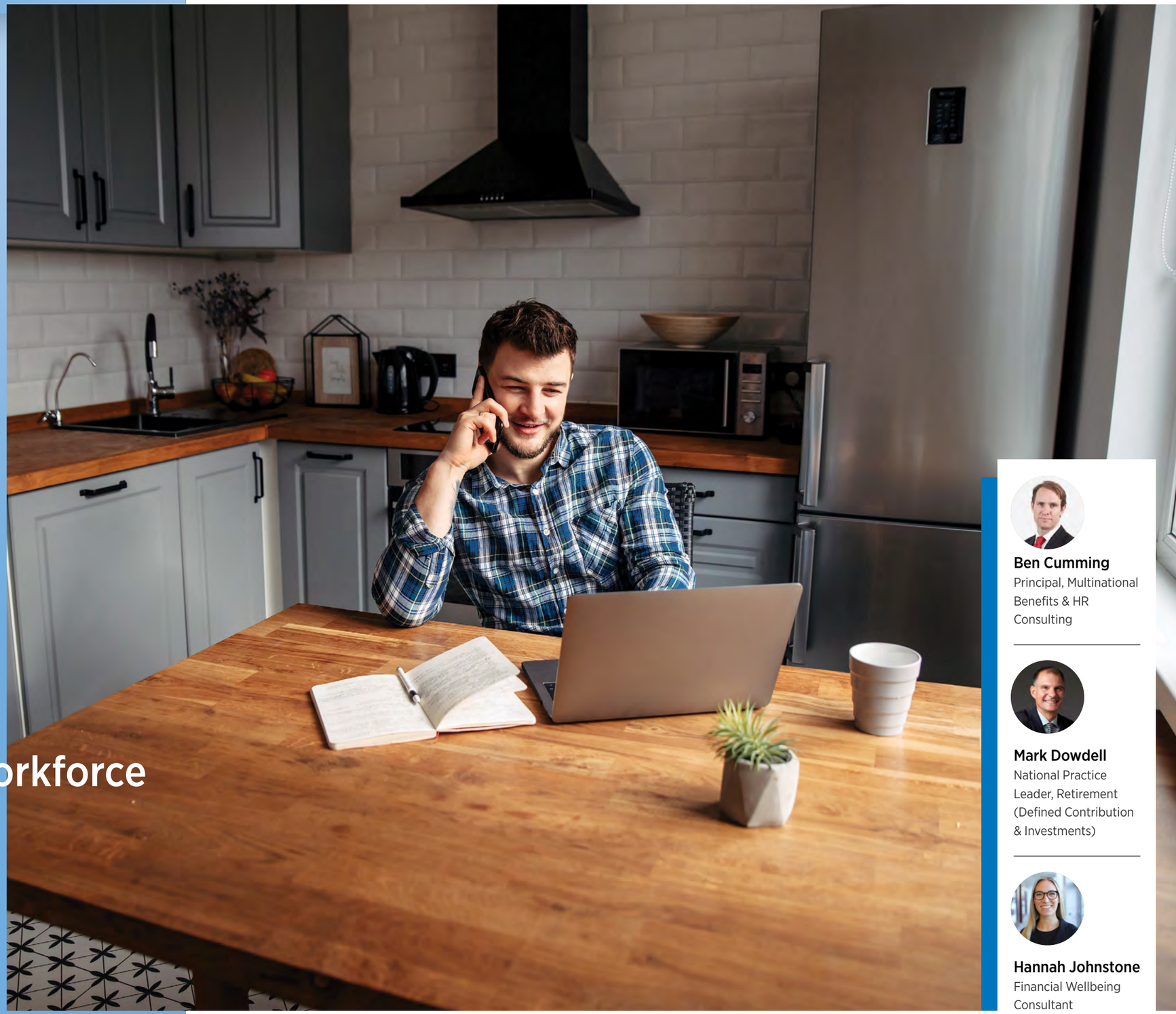
More flexible, equitable, and efficient approaches can also support a competitive talent advantage. Apart from tech and its ability to complement human judgment, emphasizing diversity, equity, and inclusion (DEI) integration and establishing learning cultures within the workplace also contribute to broader talent pools. As employers hire and identify high performers, and create paths for upward mobility, attraction and retention continues to improve.

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.

Building Retirement Benefits

for a Global and Mobile Workforce

Global mobility and a work-from-anywhere culture open the door to creative solutions for financial wellbeing, starting with retirement benefits. Helping employees navigate day-to-day financial stressors and build savings over the long term enables them to better meet their retirement goals.



Ben Cumming
Principal, Multinational Benefits & HR Consulting

Mark Dowdell
National Practice Leader, Retirement (Defined Contribution & Investments)

Hannah Johnstone
Financial Wellbeing Consultant

The last few years have underscored the risks of financial fragility and the importance of having finances in order. Globally, 44% of people feel anxious about their financial situation. Fears about the ability to retire contribute to that anxiety, with 3 in 4 feeling unprepared.[1]

3 in 4

People worldwide feel unprepared to retire[1]

These common concerns raise the demand for financial wellbeing resources that appeal to a global and mobile workforce. As a result, more employers recognize that doing their best to meet employee expectations for multinational benefits can improve talent attraction and retention. A defined global retirement strategy, which includes monitoring and acting on the expected adequacy of retirement savings, helps employers meet those expectations and support employee wellbeing.

This global strategy should recognize that not all countries are alike, and one size does not fit all. In the US, for example, offerings now emphasize access to financial coaches or advisors (58%), tuition reimbursement (50%), and emergency savings programs (18%).[2] However, the regions where businesses operate may complicate their ability to provide access. When operations are located in multiple countries, there may be a need to align financial benefits with the recommendations of multiple governments.

Offering retirement benefits that adhere to both organizational philosophy and country regulations is often challenging. There can be numerous internal and external intricacies to sort out. For example, a multinational may discover that one region is implementing policies without corporate approval. Or a business could operate in a country where structured retirement plans don't exist, so a company-wide matching contribution wouldn't make sense for a global workforce. Tax considerations, gross pay impacts, and retirement plan eligibility vary by domain, but newer practices and techniques are helping to overcome these obstacles to equitability.

BEST PRACTICES FOR MULTINATIONALS WHEN BUILDING RETIREMENT BENEFITS

1. Embracing personalization
2. Evaluating employee needs
3. Looking for reputable advisors and product suppliers
4. Offering customized coaching from local providers
5. Monitoring national legislation topics
6. Investing in communication
7. Keeping a grounded perspective

Embracing personalization

Personalization is a key characteristic and guiding principle of effective retirement benefits for a mobile workforce, as well as other aspects of financial wellbeing. In practice, it means offering different types of plans and resources that follow local compliance and plan governance legislation while still meeting different employee needs.

This core value applies to organizations of all sizes that want to balance employee needs across different generations, income and education levels, and belief systems. Employers will also want to consider both geographical location and the location permanency of employees when choosing multinational benefits.

Offering additional voluntary options on top of government-mandated retirement programs is one approach to embracing personalization. As an alternative, employers could provide international plans that give highly mobile employees a path to retirement savings — independent of their work location.

Belief-based investment options are catching on, providing access to savings plans that align with personal ethics. Making investment options like these available also allows for increased personalization. A recent study showed that sustainable investing is popular with adults in eight countries, especially younger generations.[3]

Evaluating employee needs

Financial literacy rates can be a significant global challenge. Relatively high awareness of available knowledge resources contrasts with relatively low use among employees.[4] Relevant financial education should be prioritized regardless of location to help ensure employees maximize available plans. Understanding how workforce characteristics encourage or hinder interest in existing retirement benefits informs better investments.

Looking for reputable advisors and product suppliers

Corporate staff overseeing benefits for a global workforce are usually too busy to be specialists in the retirement policies of every country, and so are their counterparts in a single country. A reputable global advisor can provide guidance on structuring benefits, help organizations achieve financial efficiency, and assist in evaluating vendor quality and integrity. These measures not only reduce the administrative burden, but they also help to protect employers that operate in countries without strong anti-corruption policies.

Offering customized coaching from local providers

Retirement-related benefits for a mobile workforce should include coaching and financial planning services whenever and wherever possible. Whether a retirement solution is universally available to employees of a country or independently offered by an organization, employees greatly benefit from one-to-one support around daily financial management and life events. Most employees have a strong interest in employer-provided financial education when it's tailored to their needs. Financial guidance from a coach or planner, whether in-person or virtual, can engage them more actively in other helpful resources that support wellbeing.

Monitoring national legislation topics

Changes to national laws sometimes reflect the popularity of tactics organizations are considering to improve their competitive standing. Monitoring proposed legislation is gaining momentum as a way to identify retirement and financial benefit trends. An example is caregiving assistance for dependents of any age. Though countries vary in perspective when it comes to things like paternity leave, childcare funding, or long-term care options, the desire for employees to be able to finance care while remaining financially stable and save for retirement is universal.

Asking independent advisors and retirement plan providers to monitor and recommend financially-based national programs for a global workforce, as they become available, is key. The goal is to establish a program that meets country compliance standards, targets adequate retirement outcomes, and includes relatable financial guidance.

Investing in communication

Multinational employers may feel overwhelmed by their responsibilities in managing retirement benefits, and for good reason. The scope of oversight is often quite broad. However, strategically designed and delivered employee communication can be a very effective outlet for getting important messages across and helping employees understand the value of the benefits being provided. A perpetual challenge of financial wellbeing, and retirement benefits in particular, is that many people put off thinking about their financial needs. Well-crafted and well-timed communications give them a nudge.

When selecting multinational benefits for financial wellbeing, gathering insight on employees' respective financial goals and progress is a good place to start. For example, those who aren't aware of their readiness to retire may not be on the lookout for support, and even if they are, employers may not have the key information that's needed to guide them. Once again, communications provide a solution. A multichannel strategy based on workforce data, and run throughout the year, can create targeted and personalized messages.

Keeping a grounded perspective

Implementing meaningful retirement benefits and a comprehensive financial wellbeing approach is a long-term strategy. When putting time and effort into this aim, it's important to remember that calculating return on investment is an imprecise science. No single department or vendor has access to all the data, and collaboration among key stakeholders, including banks, retirement providers, and employees spread across several countries, may be required.

Determining success factors upfront will increase clarity and efficiency, and contribute to better results. Employee engagement survey feedback can be another source of insights. However, the true benchmark of a successful multinational benefits program is an invested organization that prioritizes employee financial wellbeing.

The fact is, financial stress affects workforce engagement, performance, and wellbeing outside of the financial realm. Emotional, physical, and career wellbeing may also be at risk, creating high stakes for employees and employers alike. Specifically, low investments in employee financial health are associated with escalating benefit costs.

“The fact is, financial stress affects workforce engagement, performance, and wellbeing outside of the financial realm.”

Retirement benefits that effectively address employee financial stressors strongly support the physical and emotional health of a global workforce, and have the potential to decrease absenteeism rates and insurance claims. It's an advantage that should not be overlooked — employers are well-served when they keep their employees' financial wellbeing top of mind.

[1]nudge, "Global financial wellbeing report," April 2023

[2]Gallagher, Organizational Wellbeing Poll: What's Hot in People and Benefits Planning, December 2023

[3]Global Financial Literacy Excellence Center, "ESG Knowledge and Interest: A study among Householders in 8 countries," July 2023

[4]OECD, "OECD/INFE 2020 International Survey of Adult Financial Literacy," June 2020

Ed Barry
National Managing Director, HR Technology

Susan O'Hare
Area President, Executive Search & Leadership Advisors

Promoting Employee and Organizational Growth Through Succession Planning

Approaches to succession planning shifted dramatically for most employers over the last four years. However, concerns about having the right staff to serve customers and clients, in the moment, has often relegated this future-focused leadership development process to a lower priority.

Solving for today's demands may leave less time to invest in strategic planning for the future. As business leaders, CEOs establish the environment for talent development and are uniquely positioned to inspire success. By providing the right structure and support tools, HR facilitates this goal.

Generally, the smaller a company is, the more involved its CEO needs to be in operations. Having fewer employees translates to more responsibility at the top. Because the focus of this function is on getting work done to deliver products and services as expected, it often takes precedence over strategic concerns. And workforce and succession planning can be given short shrift. HR teams at nearly two-thirds of organizations (63%) have very little or no capacity, indicating high workloads and a sense of feeling overburdened.[1]

Larger employers often have a chief people officer or chief human resources officer. A key aspect of their role is to stay apprised of important HR-related developments — weekly, monthly, yearly, or even three years out. Insights can inform closer alignment with the organization's strategy. Whether the overall plan is basic or detailed, it can help to project where the business wants to be and the workforce that's necessary to get there.

The role of succession in workforce planning

Succession planning is an important aspect of effective workforce planning. This formal, deliberate, and proactive process is designed to identify key employees who are either most likely to qualify for vacated positions or ready to make a move. Importantly, once they're in place, they're able to impart critical organizational information to their successor.

Although the goals of succession planning are to achieve smooth transitions of knowledge and sustained organizational wellbeing, decision-makers may be tempted to put off this planning. This is often because of a reluctance to have direct discussions about retirement with incumbents or a fear of losing revered leaders. Engaging in challenging career development conversations is a leader's responsibility. And discomfort with these interactions should never be a reason not to help ensure the ongoing transfer of knowledge, which sustains the organization.

More than half of employers (52%) have a succession plan that prepares and develops employees for the possibility of future leadership roles.[1] Investing the necessary time and resources in what should be a careful and thoughtful deliberation can be demanding. However, reframing conversations with incumbents and potential successors to focus on "what's next in life" can smooth that process.

52%

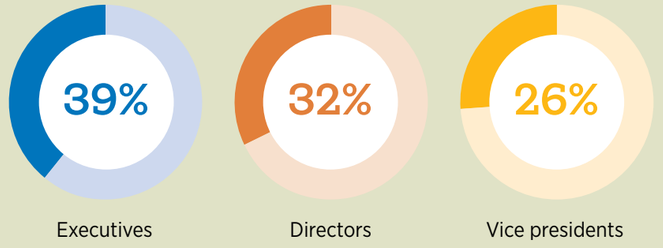
Engage in ongoing succession planning[1]

A wavering economic outlook and a pattern of political impasse in the federal government have had an unsettling effect on workforce planning. And continued uncertainty calls for up-to-date succession plans. One key reason to prioritize succession planning is a higher probability of downsizing, mergers, and acquisitions, all of which potentially increase turnover.[2]

Members of the board often prompt succession planning as a risk mitigation oversight responsibility to cover key executive roles in the event of unplanned or sudden exits. However, risk can be reduced by including as many roles as the budget will allow, down to levels of accountability that are key drivers of operational efficiency and organizational success.

Succession planning involves clearly identifying not only the roles to focus on, but also their requirements. With respect to talent development, they include role-specific skills and core competencies, as well as other criteria that add value to the organization. Roles most often selected for succession planning include executives (39%), directors (32%), and vice presidents (26%).[1]

ROLES SELECTED FOR SUCCESSION PLANNING[1]



Forecasting both near-term and long-term workforce needs, with a view into significant influences that may affect them, will help to drive organizational performance. Some of the more relevant factors to evaluate are plans for retirement, turnover trends, employee engagement and satisfaction, compensation competitiveness, management training, and employee readiness. True succession planning draws from a selective collection of relevant inputs.

Data is critical to negotiating what the future of work looks like. Information may include skills, performance, age, attributes of succession candidates, or other topics of interest. With HR technology employers can help bridge generational differences, between employers and employees, about what they think is important. Access to more and better insights guides decision-making and often improves return on investment. Optimal use of this technology also allows employers to manage outcomes with greater agility, using automation and emergent capabilities to meet employee expectations and support the people strategy.

Evolution of succession planning

Considerations for contemporary succession planning are evolving. They not only include DEI, but also upward mobility, intellectual curiosity, resiliency, flexibility, emotional intelligence, and interest in career development among other factors. Data sources are available, and once they're integrated, they can provide valuable insights that enhance the organization's understanding of its population. Examples are DEI dashboards and HR analytics, which measure employee sentiment relative to turnover.

Overall, dashboards provide a line of sight into metrics for job qualifications, pay equity, gender bias, and promotions. They can also calculate an inclusion score. Internal data is most useful when system capabilities allow external benchmarking for broader comparisons and richer insights. Better dashboards add the ability to conduct audits in addition to bias identification.

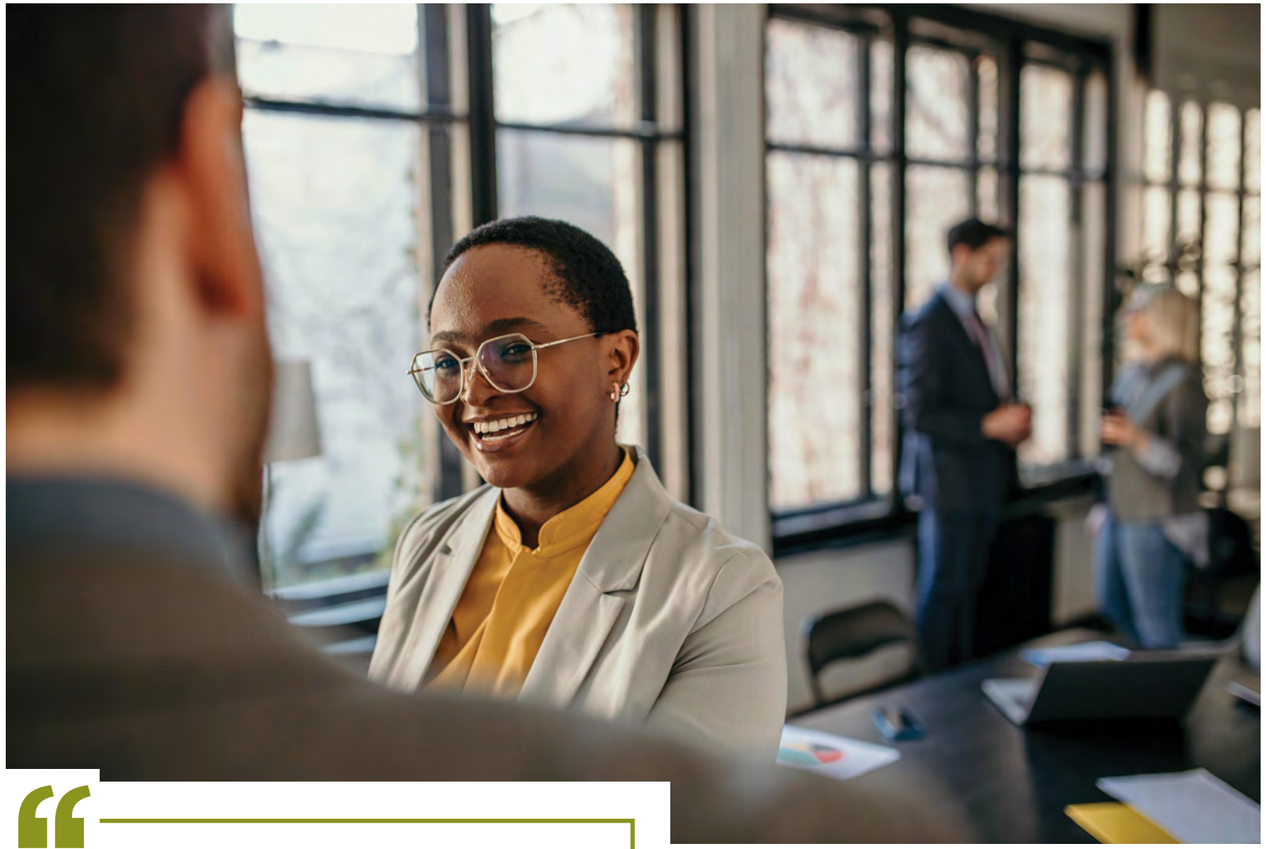
Evaluation and interpretation of data is required to define appropriate and equitable guidelines for succession planning, and corrective actions, based on organizational values. With cloud-based programs, data on leadership development planning and transitions is easily updated and shared across the globe.

Ongoing talent development to promote growth

Upskilling or reskilling enhances the competence of employees within their current roles and job functions. By increasing engagement, these practices also contribute to a culture of upward mobility that benefits succession planning efforts. Career path discussions and job shadowing promote employee and organizational growth at all levels.

A closer look at an individual employee's goals and plans, and how well their job supports them, can lead to an engaging, open, and productive exchange of information and ideas about guiding their future. Rather than a snapshot in time of an individual candidate's progression, succession planning applies foresight to direct a talent management process that steadily fosters the next generation of leaders. The output may include leadership competency models, updated job descriptions, and a list of roles to include in the succession plan from the C-suite on down.

At the outset of planning, it's important to define and communicate the roles identified for this process and who will evaluate candidates. Direct managers, past managers, a third party, the board of directors, and others are likely to qualify, and small firms may involve the CEO or senior leaders. Whatever the approach, employees should have a clear understanding of process details.



"Rather than a snapshot in time of an individual candidate's progression, succession planning applies foresight to direct a talent management process that steadily fosters the next generation of leaders."

Automation and artificial intelligence (AI) augmentation are becoming more prevalent, intensifying the focus on reskilling and upskilling initiatives, especially for HR professionals. Talent development efforts should include identifying the skills needed to succeed in a technology-driven workplace and developing programs to facilitate continuous learning.[3]

Integrating succession planning into ongoing talent management goals enhances efforts and results. Development plans customized with coaching, mentoring, stretch assignments, or other programs fortify organizations' resilience to change by strengthening employees' readiness to take on their next career phase. When enough time and intention are put into a workforce plan — which is openly discussed and regularly updated — succession planning becomes a welcome proposition and a highly valuable investment.

Careful application of technology

HR technology advancements still have some limitations related to workforce planning, succession planning, and talent development. Sophisticated analysis is also required to identify factors that maximize outcomes, adding significant time and effort. Meanwhile, technology continues to lag behind business needs for proper succession planning. Most capabilities are restricted to providing data and insights on employee performance and compensation. Another inconvenient truth is that AI can't yet reliably identify a lie, which raises concerns about inappropriate applications.

Careful consideration of next steps, up to and including execution, is required for most technology decisions going forward. Automation is exceptionally important when setting priorities because it supports a flexible and fluid process that drives efficiencies. More extensively, this capability also has the potential to markedly improve how work gets done — an essential skill for leading and succeeding.

In the process of succession planning, assessments and ratings can change, interests may shift, and organizational needs continuously evolve. Addressing ethical considerations, helping to ensure transparency, and providing appropriate training are crucial to technology integration in this key element of employee and organizational growth.

[1]Gallagher, Organizational Wellbeing Poll: What's Hot in People and Benefits Planning, December 2023

[2]SHRM, "Practicing the discipline of workforce planning," accessed January 2024

[3]SHRM, "AI in the Workplace Playbook," January 2024

» WOMEN'S LEADERSHIP ARTICLE

Empowering Women in Leadership

Through Practical DEI

Leah Reynolds
Principal, Engagement Practice

Jenna Sneed
Area Vice President, HR & Compensation Consulting

Many total rewards decisions once followed a templated approach that met many basic needs, but often overlooked the concerns of specific populations. DEI related to pay, health, and career are essential to today's workforce and require a more nuanced focus.

Marginalized employees, including women, come into their own and perform at their best when they're treated equitably based on policies, practices, and cultural experiences. DEI is a prerequisite for helping to recognize them as colleagues whose contributions are differentiated — just as important as what others bring but not necessarily better. As change agents for organizational solutions and growth, they fully apply their abilities and insights.

Overlapping identities are formed from a person's life experiences, and differences exist in how individuals express or interpret them. As employers recognize the value of these layered and complex distinctions, they're more likely to support them with initiatives and programs. A genuinely inclusive work environment emerges when employees feel empowered to offer diverse perspectives and share unique experiences, including challenges. Maintaining a safe space for this purpose promotes sustainable results.

Closing the equity gap with pay transparency

Pay transparency is a cornerstone of equity in the workplace that helps address gender pay gaps and promote fairness for marginalized populations. Research shows that these gaps narrow and close for employers when their employees rate their organization's pay practices as "highly transparent."[1] Upholding this standard requires regular audits and ongoing evaluation of compliance with equity standards.

WHERE EMPLOYERS FALL ON THE PAY TRANSPARENCY SPECTRUM[2]

LOW TRANSPARENCY		HIGH TRANSPARENCY
External Factors		
Post ranges when it's required by law		Post ranges when it's not required by law
Internal Factors		
Employees know their level or grade	Employees know the ranges for their own job	Employees know their position in the range

Salary negotiation processes are demystified by pay transparency. Compensation studies should include a pay equity analysis and identify risks. This includes updating job descriptions as needed, and having appropriate discussions to manage expectations and help ensure that differences are objective, not gendered.

Clear information on salary ranges, along with criteria for pay raises and promotions, leaves employees better equipped to negotiate salaries and advancements, especially women. For example, dashboards improve line of sight into metrics for job qualifications, pay equity, gender bias, and promotions. Knowledge and resources can be empowering, and they're critical for those in leadership roles whose salary negotiations may influence their career trajectories.

Because it signals a decisive stance on equity, a transparent pay structure is an attractive compensation feature for many employees and a persuasive factor for job candidates. Women whose aspirations include leadership are especially likely to place a high value on this indicator. Along with other fair compensation practices, a pledge to pay transparency helps to improve employee engagement, promote better labor cost control, and mitigate compliance and discrimination risks.

Equitable and inclusive health programs and policies

Workplaces that foster DEI simultaneously promote both mental health and emotional wellbeing. Women in leadership positions often carry significant personal as well as professional responsibilities, which can make them more vulnerable to stressors such as gender bias and imposter syndrome. Employers can counterbalance the effects by offering stress management programs, resilience training, and similar types of support.

DEI policies formalize and enforce fairness standards for health and wellbeing, including flexibility. They show a decisive commitment to helping leaders succeed in all spheres of life, regardless of gender or other characteristics. Among leaders, normalizing their conversations about mental health contributes to a supportive environment, and when they use platforms to share personal experiences, they add credibility. Employers can get a sense of the impact of these ongoing efforts through engagement surveys with embedded indices for DEI and psychological safety, and other established methods.

People of different backgrounds may have different physical health concerns. From a DEI standpoint, it's important for employers to understand their unique needs and to offer support based on individual interests. Making health benefits more inclusive is a foundational goal, which can be met by examining current programs and resources, and identifying opportunities for improving equity in the workplace. Two relatively simple and inexpensive investments are revising the benefits guide and customizing employee communications for more inclusive language.

HOW TO EVALUATE EMPLOYEE HEALTH EQUITY[3]

1. Seek out qualified analytics data
2. Find informed sources on marginalized subgroups
3. Assess and reassess program design progress
4. Evaluate communication and tech support success
5. Measure program data to find out what's working

Creating a reliable career support structure

Challenges that affect many women and other marginalized groups at work, whether they're leaders or not, range from implicit bias and stereotyping to limited networking opportunities. Using analytics, key issues like these can be diagnosed, and effective solutions for improving career equity can be pinpointed. Transparent evaluation allows employers to clarify advancement criteria for employees. Equitable application through evaluations based on job-related competencies with supporting examples is the next step in breaking down systemic barriers that introduce bias and hinder the progress of marginalized groups.

Internal recruitment offers an engaging solution to the career equity dilemma. This process shows appreciation for employees' past contributions while providing support for achieving their future career goals — in the present. Those who benefit can envision a career with the organization that allows room for their other key priorities, helping to strengthen retention.

Women in opposite-sex marriages still do more housework and caregiving than men.[4] But even when they're on the job, they tend to take their personal responsibilities and work-life integration concerns with them. To acknowledge and address this disparity, employers should consider strengthening their foundation of support through flexible work arrangements, remote work options, and parental leave policies. Forty-two percent (42%) of employers already have flexible work schedule policies in place, and 23% are considering them.[5]

Workforce policy revisions and periodic awareness training help minimize bias and dismantle other barriers that broadly contribute to overall equity in the workplace. Mentoring and other sponsorship programs specifically designed for women, such as affinity groups for leaders, add individualized guidance on career navigation, visibility, and advancement. These opportunities may also connect women with experienced colleagues who are willing to offer career advice and advocate on their behalf. For aspiring leaders, access to development programs can give them a foothold on gaining the necessary skills for targeted roles.

Improving DEI through leadership, communication, and measurement

Leaders should be intentional in creating a bias-free culture and addressing inequitable situations as they arise. When defining or revising DEI guidelines, leadership review and input are necessary to help ensure they reflect organizational values. Incorporating performance metrics into business goals and aligning objectives with executive compensation and other incentives can drive accountability.

There's a growing emphasis on reviewing metrics that benchmark both internal and external progress. Internally, dashboards provide a line of sight into metrics for job qualifications, pay equity, gender bias, and promotions. They can also calculate an inclusion score. Data is most useful when system capabilities also allow external benchmarking for broader comparisons and richer insights.

Sharing regular updates on DEI progress with employees, inclusive language in corporate communications, and forums for open discussion are other key ways to improve transparency and strengthen inclusion. Uniquely, storytelling adds a human dimension to the meaning of statistics and policies. By sharing real-life examples and relatable stories, employers can demonstrate the varied paths women and other marginalized groups take to leadership roles. Support for diverse careers helps to break down stereotypes about what successful leadership looks like and what careers are valid — highlighting the most empowering aspects of non-linear and unconventional paths.

Support for diverse careers helps to break down stereotypes about what successful leadership looks like and what careers are valid — highlighting the most empowering aspects of non-linear and unconventional paths.

The representation and visibility of women and other marginalized groups, at all levels of leadership and decision-making, inspires and motivates others. DEI strategies that target equity in the workplace closely align with organizational goals. Not only do they promote gender diversity, but they also tap into a wide range of talents and perspectives that drive business innovation and success.

The journey of DEI in the workplace is a dynamic and ongoing process, requiring an understanding of potential challenges, a commitment to establishing inclusive cultures, and a willingness to adapt and evolve. Initially, efforts to improve these metrics add complexity to work processes and procedures. But over time, learning curve momentum leads to higher and more sustainable levels of employee engagement, innovation, and business success.

[1]Payscale, "The gender pay gap is real and meaningful, and it's starting to close in 2023 — but there is still work to be done," March 2023

[2]Buck, A Gallagher Company, "What your organization needs to know about pay equity and pay transparency," November 2023

[3]Council on Employee Benefits, "Health Equity: Pursuing equity in an inequitable landscape," April 2023

[4]NPR, "Women are earning more money. But they're still picking up a heavier load at home," April 2023

[5]Gallagher, Organizational Wellbeing Poll: What's Hot in People and Benefits Planning, December 2023

Managing Paid Leave Complexities

to Gain a Competitive Edge

Paid leave policies are central to strong cultural values and a compelling employee experience. In a period of constant change and complex legal requirements, effectively managing employees on leave has become a critical predictor of competitive success.

When the right policies (not more policies) are in place, and they're fully integrated, managing absence and engaging employees gets easier. Employers that recognize the potential advantage of investing in better leave policies, such as paid parental leave or paid family leave, set certain priorities. They understand the importance of addressing diverse workforce needs, capitalizing on technology, and using compliance tools. Also important is applying these policies to other employee benefits, which may include behavioral health coaching, hospital indemnity coverage, or other options.

For many people, news about the global pandemic has become a side story. What may not be apparent is evidence that its disruptive arrival heavily influenced positive change in response to unprecedented challenges. Employers have focused more intently on meeting employees' evolving needs. Even today, they're looking to reevaluate traditional policies to satisfy changing demands, and research shows that 2 in 3 (67%) are revising or adding new time-away programs.[1]

Mary Armstrong-Flippo
Principal, Time Off, Disability & Life

Chuck Lamonica
Principal, Local Practice Leader

Ron Witthohn
Division Vice President, Absence Management

Interest in flexible paid leave that supports different circumstances and the needs they create is on the upswing for the purposes of illness, caregiving, and mental health, among others. By adapting policies to these priorities, employers show a genuine commitment to the overall wellbeing of their employees. For many reasons, this investment in higher morale, a better culture, and stronger loyalty can be the right thing to do. For example, paid parental leave and paid family leave often boost health and social wellbeing, improving productivity and retention. While only 4% of organizations have expanded DEI practices, 25% are considering a stronger emphasis to support absence management and productivity.[2]

Evidence of a sharper focus on the value of paid leave policies is also seen in new and revised statutory paid family leave and disability benefits. Employers must stay current on state-required changes and adjust their policies accordingly, so they can remain compliant. Awareness of state-specific regulations is necessary, and the details often vary by eligibility criteria, duration, and the extent of benefits for paid employee leaves.

Increasingly, employers are assuming an active role as stewards of leave programs with these benefits becoming more important to employees, and more complex to manage. Strategic conversations about health and retirement among the organization's absence management decision-makers are essential because key considerations are interconnected. Disability must be well-managed for medical claims to be well-managed. And combining voluntary benefits with medical and leave programs significantly boosts employee satisfaction with these programs.

Evolving paid parental leave and paid family leave

Both statutory and voluntary considerations apply to paid parental leave. Offering parents paid time off (PTO) following a birth or an adoption, and in some instances when taking in a foster child, is recognized more frequently as a vital employee benefit. Practically speaking, it's also a necessary aspect of supporting work-life integration that promotes gender equity and enhances employee retention.

State-mandated paid family leave programs are becoming more common across the nation as well, allowing more employees to care for a family member with a serious health condition, without the stress of lost income. It's essential for organizations to recognize how they operate, what their funding mechanisms are, and how they're used with other leave policies like company-provided caregiver leave and the federal Family and Medical Leave Act (FMLA).

Outsourcing statutory and company-provided paid parental leave and paid family leave administration to licensed vendors is trending among employers of all sizes. In many states where paid leave is mandatory, the employer must choose whether to have the state or a vendor of their choice administer the plan.

Similar to current disability coverage, programs are also established that provide a private marketplace for voluntary paid family leave, and administration is outsourced through a bid system rather than kept in-house. Voluntary private employers in the state may then opt into a program by purchasing a plan from the state-contracted insurer, which may include the potential for tax incentives. Most programs have provisions that allow individual employees to participate if they're not covered by an employer plan.[3]

Surprisingly, only 1% of employers rank caregiver solutions among their top five strategic priorities in 2024.[2] And this oversight is a significant missed opportunity, especially for employers with a focus on inclusion and an expanded definition of family. High regard for the importance of offering this support expresses an appreciation for the nuances of paid family leave — including how this benefit intersects with other leaves.

2 in 3

Employers are revising or adding new time-away programs[1]

Considering remote work and other compliance factors

The Americans with Disabilities Act Amendments Act (ADAAA) of 2008 broadened the definition of disability under the former Americans with Disabilities Act, requiring employers to provide reasonable accommodations to all qualified employees. Proactively understanding these requirements supports compliant leave solutions.

New considerations for compliance with the FMLA and ADAAA arose with the prevalence of remote work. Correctly interpreting and applying relevant laws and definitions helps to ensure that employees receive the same leave considerations and accommodations as those in traditional work settings. An often overlooked aspect is the potential overlap of workers' compensation and the FMLA. If a work-related injury or illness is considered a serious health condition under the FMLA, both laws apply simultaneously. Awareness of this intersection is crucial for legally compliant and effective absence management.

Paid sick days, which generally receive less attention, are a relatively complex aspect of company-provided and state-mandated paid leave policies. Interpreting the intricacies of applicable laws is challenging because they can vary significantly by state and locality. A clear and compliant sick leave policy considers the impact on both employee wellbeing and organizational operations.

1%

Rank caregiver solutions among their top five strategic priorities in 2024[2]

Beyond these standard leave types, organizations are exploring other PTO benefits to enhance their EVP, such as sabbaticals, mental health days, and volunteer days. Determining how PTO fits into the leave policy framework and aligns with other options, such as disability and family medical leave, is key to creating an attractive benefits package. A holistic approach is essential to providing a comprehensive selection that addresses different employee needs. For employers, the return value is often enhanced employee satisfaction and retention.

Navigating compliance challenges across states

Compliance with state laws poses a challenge due to varied statutory requirements. Paid leave policies need to meet federal standards while providing enough flexibility to accommodate nuanced requirements. Complexity in managing paid leave, for different states with local regulations, can be decoded with the help of experienced advisors. Insights into best practices and innovative solutions allow organizations to develop compliant policies that align with organizational needs. Through regular audits and policy updates, ongoing compliance and a reduced risk of legal complications is more likely.

Changes in generational and cultural expectations

Shifts in cultural and generational preferences continually influence employees' paid leave expectations. Employers can acknowledge the leanings of millennials and Gen Z workers toward work-life integration and mental health by offering more flexible and comprehensive paid leave policies. Beyond being a competitive differentiator, aligning these policies with the evolving expectations of the workforce is becoming a competitive necessity.

Periodic refinement of paid leave programs based on regular benchmarking is a high priority. But research findings shouldn't necessarily have the final say in directing change. Examining benchmarks is part of the process for employers, and so is assessing what's right for their population. Vendor partnerships and consultant relationships are readily available resources, and frequently, vendors can offer tools that help inform decisions on topics such as statutory leave education.

Leveraging technology and effective communication

Managing employee leaves with the support of technology and data analytics is becoming increasingly important. For example, software solutions used internally by HR and leaves teams, along with vendor provided tools, are improving the ability to streamline processes. Through these resources and methods, employers can assess the impact of leave policies on productivity and employee satisfaction — with greater precision. Insights gained may empower continuous policy refinement that improves competitive strength by responding better to employee needs.

Integrating AI into leave management approaches has begun to transform how organizations handle employee absences. These technologies offer unprecedented capabilities for streamlining processes, predicting trends, and enhancing decision-making, and will continue to shape the future of leave outcomes.

What's more, using the insights gathered from data analysis, employers can craft effective employee communication, featuring messages that are central to strategic leave management. Emphasis on making the workforce fully aware of their leave options and what they offer is integral. Regular training sessions, a detailed employee handbook, and responsive HR support are helpful resources. Clear communication and education about leave benefits help employees feel supported and valued, too, leading to increased engagement and productivity.

Preparing for the future of leave management

Paid leave policies should be living documents, regularly reviewed and adapted to changing laws, workforce demographics, and organizational objectives. Providing various options including traditional and non-traditional programs caters to a diverse workforce with different needs and preferences. Policies should be designed with total employee wellbeing in mind, offering support for mental as well as physical health.

"Paid leave policies should be living documents, regularly reviewed and adapted to changing laws, workforce demographics, and organizational objectives."

Improving attraction and retention becomes easier when the influence of paid leave policies is understood and acknowledged. Whether unexpected or planned, the extent of support for PTO needs should verify an organization's cultural values. And encouraging employees to feel comfortable taking leaves, without fear of stigma or career repercussions, is central to sustaining a positive and productive work environment. Creating and applying DEI principles further reinforces fair treatment of all employees through respect for their values.

Time away from work is a revered benefit. Employers consistently demonstrate a commitment to their employees' wellbeing by effectively managing both paid leave and unpaid leave, including adhering to legal requirements. But strategic leave management is more than a compliance issue. It's a vital component of the EVP that can translate into a significant competitive advantage, enhancing employee satisfaction and driving organizational success.

[1]Gallagher, 2023 Fall Health & Benefits Summit, September 2023

[2]Gallagher, Organizational Wellbeing Poll: What's Hot in People and Benefits Planning, December 2023

[3]Gallagher, "Statutory Leave Laws: An evolving landscape," October 2023

DATA DRIVES DECISIONS™

Unlocking Organizational Success Through Employee Wellbeing

Organizational wellbeing succeeds on the strength of the physical, emotional, career, and financial health of employees. But creating a solid employee experience and making smart investments in the workforce require a conscious effort from HR and leadership.

A recent poll on organizational wellbeing shows how nearly 400 US employers are promoting employee wellbeing to drive sustainable bottom-line growth.

Top Reasons for Promoting Employee Wellbeing

1. Increase job satisfaction and employee engagement
2. Attract and retain talent
3. Lower the risk of employee burnout
4. Enhance corporate culture
5. Manage healthcare costs

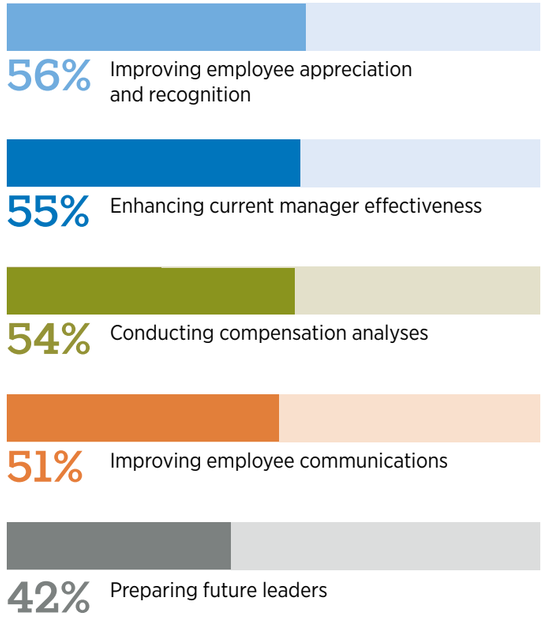
How Employers Feel About Their Current Strategies

48% Believe they effectively create or sustain a culture of total wellbeing within their organization

37% Have confidence in the effectiveness of their current wellbeing strategy

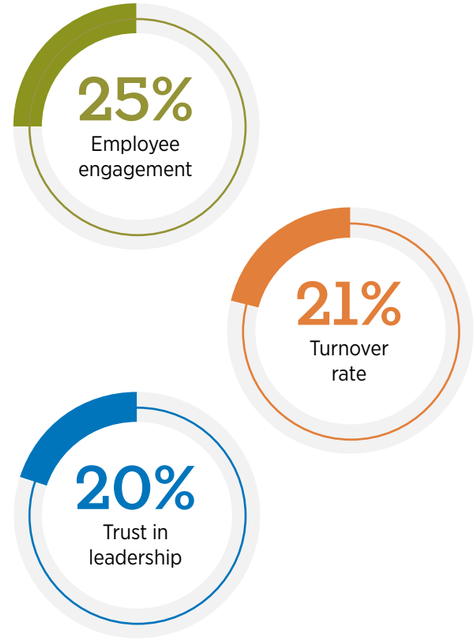
Strategic Priorities for 2024

With most employers lacking confidence in their wellbeing strategies, it's helpful to see how others are planning to invest their time and energy to improve attraction, retention, and engagement.



Measuring the Success of Wellbeing Efforts

Organizations agree that the following are the most essential people metrics for determining future business success.



Source: Gallagher, Organizational Wellbeing Poll: What's Hot in People and Benefits Planning, December 2023

Contributors

Mary Armstrong-Flippo
Mary.Armstrong-Flippo@buck.com

Ed Barry
Ed_Barry@ajg.com

Ben Cumming
Ben.Cumming@buck.com

Mark Dowdell
Mark_Dowdell@ajg.com

Hannah Johnstone
Hannah_Johnstone@ajg.com

Chuck Lamonica
Chuck.Lamonica@buck.com

Susan O'Hare
Susan_OHare@ajg.com

Leah Reynolds
Leah.Reynolds@buck.com

Kathleen Schulz
Kathleen_Schulz@ajg.com

Jenna Sneed
Jenna_Sneed@ajg.com

Ron Witthohn
Ron_Witthohn@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

Donald Griffin
Donald_Griffin@ajg.com

Laura Huff
Laura_Huff@ajg.com

About Gallagher

Your people are your organization's greatest asset.

But daily hardships — like economic uncertainty, personal and family health concerns, and insufficient resources or staffing at work — can take a toll on your people and leave your business struggling with hindered productivity, heightened disengagement, and strained retention.

That's why every aspect of your benefits and compensation program needs to work in concert to promote overall employee wellbeing. Offering robust medical coverage and a competitive retirement plan isn't enough in today's hyper-competitive labor market.

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

Doing so can help your business attract top talent, motivate employees, and shift the organizational culture so employees feel differently about their work. When organizations find ways to reduce burnout and increase productivity among their people, 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, employee communication, and workplace culture so you can support your people's physical and emotional health, financial confidence, and career growth 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, Gallagher's consultants are here to help you optimize your profitability with a strategy rooted in the wellbeing of your people — so you can face the future with confidence.

Gallagher

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