



Gallagher

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DATA DRIVES DECISIONS™

Small Business

— 2023 —
WORKFORCE
TRENDS
REPORT
SERIES

Findings and insights from the 2023
Benefits Strategy & Benchmarking Survey

US EDITION



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Introduction

Small businesses have generally adapted to market challenges, but they continue to monitor the effects of inflation on demand for goods and services, and their costs.

An increase in workforce management challenges has shifted attention to revenue, retention and talent management as top operational and HR priorities. Growing use of technology is already supporting streamlined operations and enhanced customer experiences. Now, HR has started to apply digital tools to retention efforts, geared toward offering more appealing benefits that improve the employee experience and promote organizational attachment.

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

Part of the Workforce Trends Report Series, this addendum highlights key findings and implications based on responses from 1,267 small businesses that participated in our 2023 Benefits Strategy & Benchmarking Survey. From broad insights to specific findings, you'll gain a practical perspective on trends and best practices to help you face your future with confidence.



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Benefits Strategy & Benchmarking Survey Small Business Participant Profile



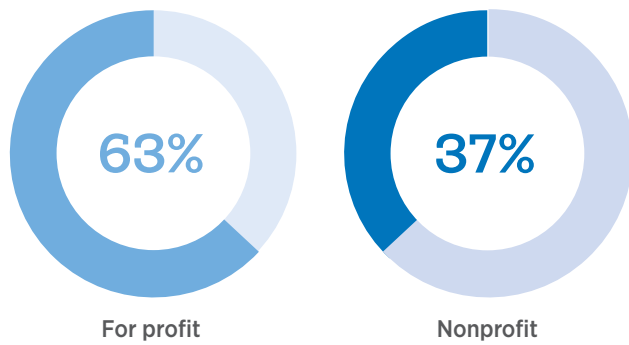
1,267

Small businesses

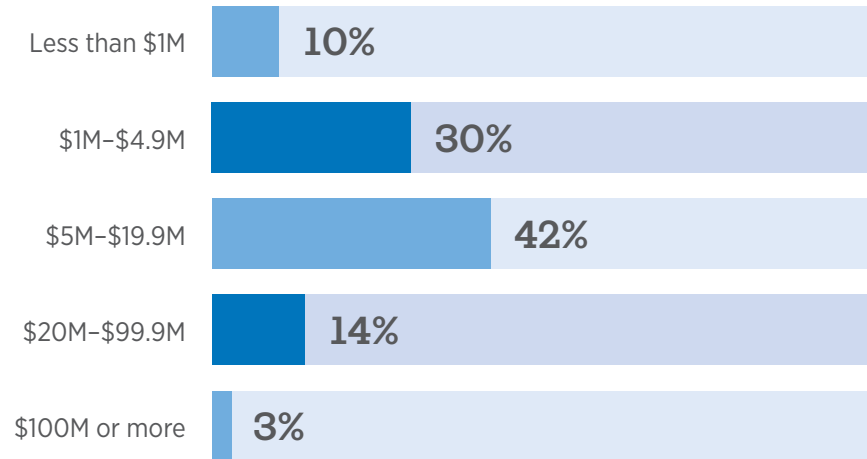
Workforce size—full-time equivalents (FTEs)



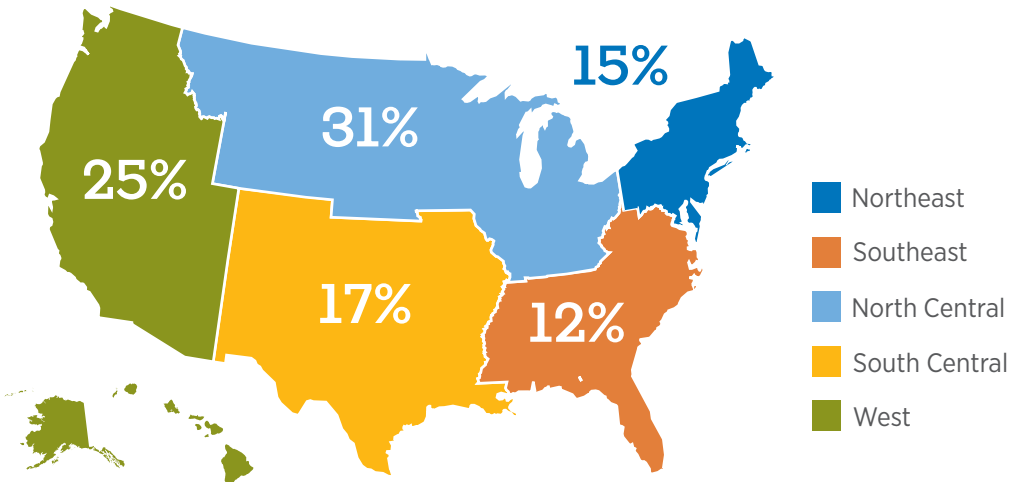
Ownership structure



Annual operating revenue



Geography



Key Takeaways for Small Business Employers

Organizational Wellbeing



Revisiting the people strategy and leveraging emerging HR technologies are critical to help balance costs and attraction and retention needs.

Physical & Emotional Wellbeing



Opportunities exist to enhance benefits personalization and effectiveness through better use of data.

Career Wellbeing



Engagement and career development initiatives align employee and organizational goals.

Financial Wellbeing



Inflation spotlights the importance of financial wellbeing, offering a chance for employers to showcase supportive benefits to receptive employees.

Organizational Wellbeing

Creative people strategies and emerging HR technologies help minimize labor market challenges.

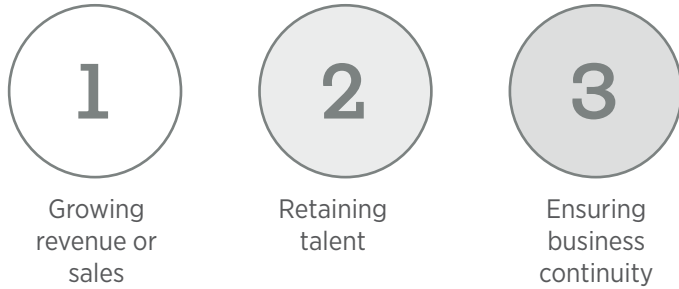
Small businesses are looking to balance control over total rewards costs against demands for competitive pay and attractive benefits. Many are taking a more intentional approach to creative thinking in their pursuit of better support for sustainable business models.

In their search for more efficient and effective options, HR technology can bring some relief. Advances are streamlining tasks for operations and simplifying digital interactions for employees related to onboarding, managing benefits and payroll, and other functions. Established relationships with benefit program vendors often provide a logical entry point for sourcing both traditional and alternative tools.

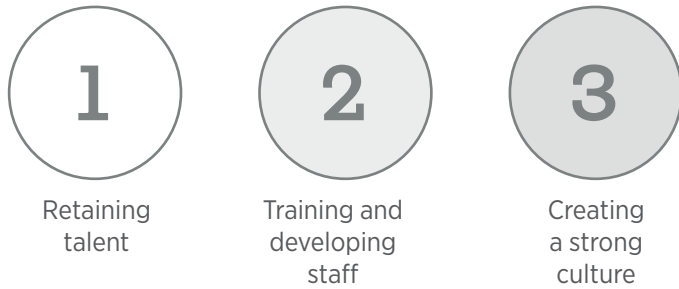
Staffing strategies such as hiring seasonal or gig workers may reduce shortages in retention-challenged roles, although a proposed federal rule could elevate many gig workers to employee status. Other options include enhanced remote work policies and increased employee flexibility.



Top operational priorities

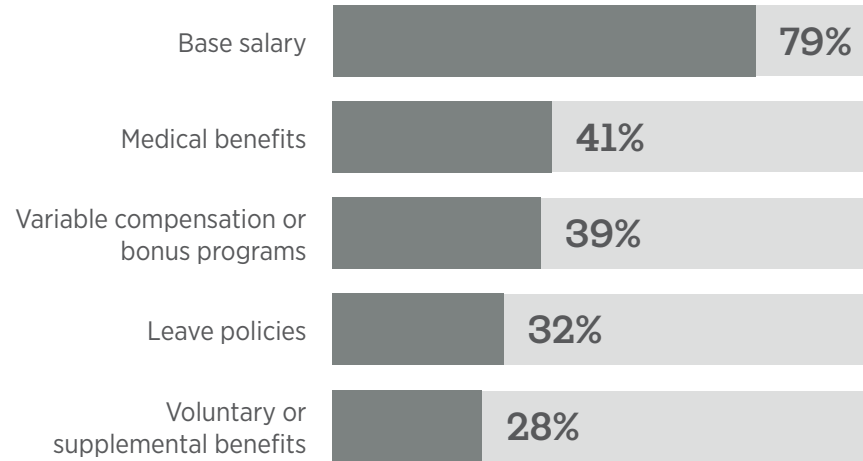


Top HR priorities



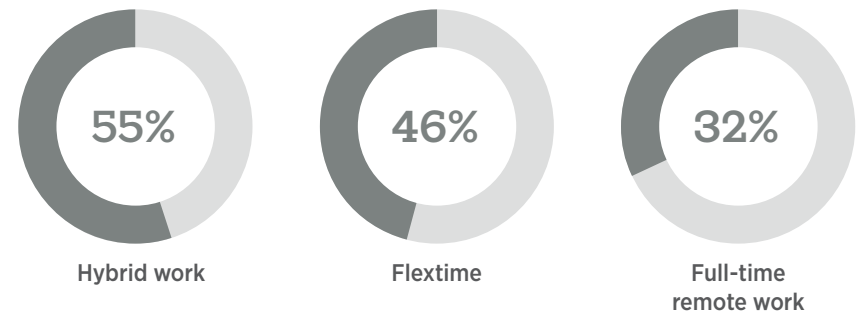
More than
2 in 5
Expect to add and/or upgrade their HR tech solutions by 2025

Total rewards aspects enhanced to meet recruitment and retention objectives



35% Experienced turnover of 15% or more in 2022

Tactics used to support workplace flexibility



Physical & Emotional Wellbeing

Better use of data can enhance benefits personalization and effectiveness.

Physical and emotional wellbeing trends include growing recognition that a healthy and happy work experience broadly influences success. Educating employees about their benefits and encouraging self-care helps to create a more vibrant culture. Equally important to raising awareness of available resources is providing easy access.

When employers offer benefits that meet a wide range of needs, they affirm the importance of individual choice. Putting this understanding into practice can motivate the workforce to invest their best efforts toward achieving business goals. Voluntary benefits expand access to an even broader set of options and don't require employer funding.

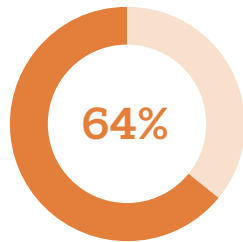
Limited internal capacity and expertise often keeps small businesses from launching initiatives that increase engagement and wellbeing. But using demographics to match benefits with employee preferences can identify a better selection for any employer. Although comparative data can be challenging to acquire, industry and small business associations can help.



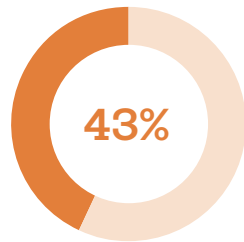
74% Agree leaders are concerned about the impact of stress and burnout on the organization

13% Have a comprehensive wellbeing strategy focused on whole-employee health

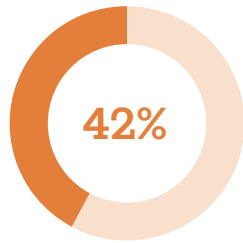
Wellbeing dimensions whose importance increased in 2023



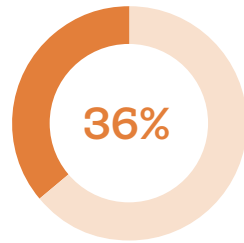
Emotional



Financial



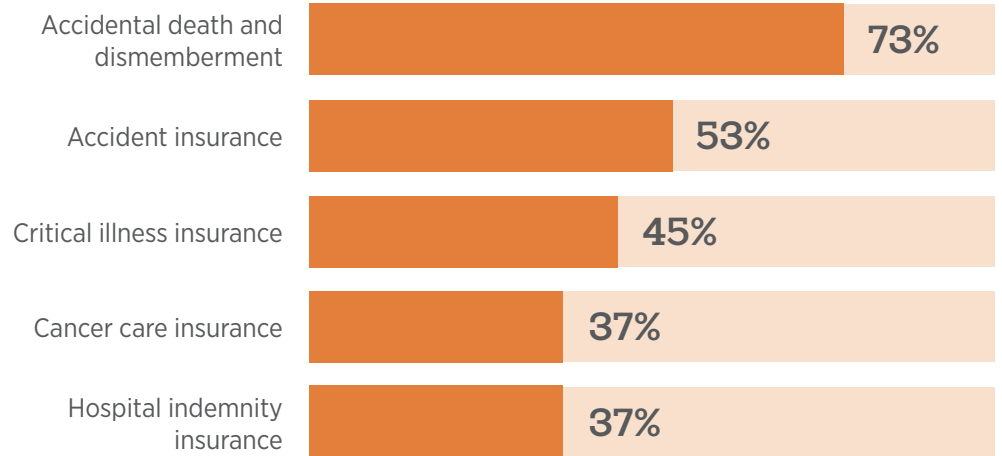
Physical



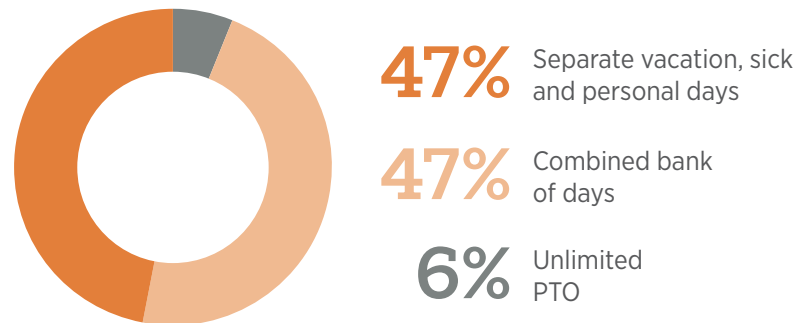
Career

Nearly **3 in 5** Did not increase employee cost sharing in 2023

Types of voluntary benefits offered



Approach to paid time off (PTO)



Career Wellbeing

Structured career development programs highlight opportunities for individual growth.

Recognizing engagement as a key retention driver, many small businesses have ramped up their efforts to drive organizational attachment. Employee career development is central to that focus. And a key to success is structuring programs to provide a pathway for growth and mobility, through enhanced skills and advancement opportunities.

Performance management systems automate aspects of goal setting, giving feedback and providing evaluations. However, discussions with their manager help to ensure that employees understand what's expected of them. Regular check-ins can verify a shared understanding of strengths and improvement areas, while allowing time for career path guidance.

Trust stems from loyalty and respect. So the content and style of employee communications should support this dynamic. Messages about employee purpose are critical links for connecting the workforce to the organization and its culture.



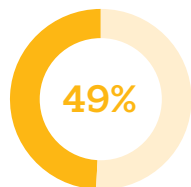
More than
2 in 5

Have a strategy for improving employee engagement

Tactics used to improve employee engagement



Give timely and constructive feedback



Communicate in a way that fosters trust and confidence

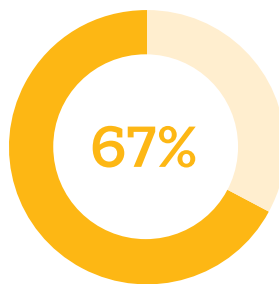
37%

Conducted a survey to measure workforce engagement in 2020 or 2021

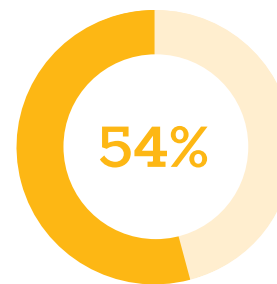
68%

Increased the importance of communicating about compensation and benefits in response to the economy

Communication outcomes considered most important



Employees feel engaged and motivated to contribute to the organization's success



Employees understand their benefits and how to use them

Top components of career wellbeing initiatives



Ongoing performance feedback or coaching



Employee development training



Service awards or employee recognition



Management or leadership development training



Team-building programs

Financial Wellbeing

High inflation rates up the ante for financial stress, and employees are looking for help.

Holistic support for employees, especially during a prolonged period of financial upheaval, is vital for stress relief. They need programs and resources that help stabilize and improve their wellbeing, including support for their current financial needs and retirement preparation.

Grounding employees in a better understanding of financial health basics can be achieved with a variety of educational tools. Seminars work well for help with budgeting, saving and debt management. A more personalized option is a financial coach, who broadly reviews the employee's financial situation and then narrows the lens to meet specific goals. Checking what current vendors offer before investing in new solutions often makes sense. Financial counseling support services are typically available through employee assistance programs.

Strategies that go beyond a focus on near-term spending to address savings and investments, using retirement planning resources, are important. They can assist employees with making more informed decisions, now and in the future.



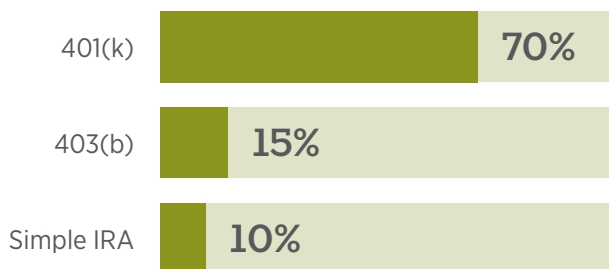
More than **3 in 4**

Offer at least one financial wellbeing program or resource

Top components of financial wellbeing initiatives



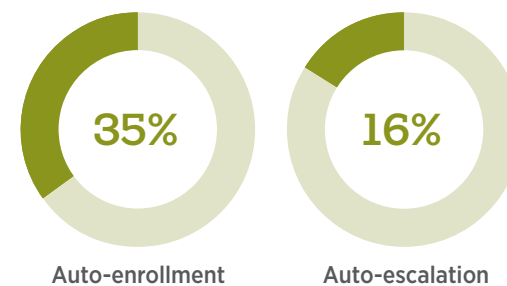
Most common active retirement plans offered



83%

Have a retirement program

Methods used to promote better savings habits



78%

Match employee retirement contributions

Final Remarks

Business change takes on a new dimension as next-level technologies now advance at a rate that's nearly immeasurable. To stay competitive, organizations need to optimize the use of these tools and keep current on important developments. Combined with creative workforce strategies and a holistic approach to wellbeing, this goal becomes more manageable and can be achieved. Small businesses are expanding access to resources, expertise and markets through collaboration and strategic partnerships—creating new growth drivers by leveraging collective strengths.

Compensation, benefits and policies that widely appeal to the workforce require an understanding of their unique needs and interests, identified by employers through intentional efforts. Decisions should consider company demographics and align with business priorities. Additionally, personalized options can offer a solution to meeting different expectations and preferences.

Attraction and retention outcomes are contingent on establishing an environment of trust where employees feel valued and respected. Through a culture of continuous learning, small businesses can also generate more opportunities for professional growth, contributing to higher job satisfaction, productivity levels and overall wellbeing. Employees who feel supported, valued and empowered at work are less vulnerable to burnout. Instead, they're more energized and motivated to actively contribute to organizational success.

For additional insights and custom benchmarking on the latest trends impacting small business employers, contact your local Gallagher consultant or visit [AJG.com/us/small-business](https://www.ajg.com/us/small-business).

About Gallagher

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 WorksSM—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.



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