

It's about respect: creating a safe and respectful workplace to drive organizational performance.

Social pressures for a fair and equitable work environment have been building over the last few decades, with pay equity and anti-harassment emerging as critical issues. From the #MeToo movement spotlighting sexual harassment in the workplace to Salesforce.com, Inc. spending millions to amend gender and racial pay gaps, workplace respect has become familiar front-page news. Contributing to this trend's traction and momentum is the growing rate of millennials in all workforce roles, including leadership positions, who prioritize fairness and corporate social responsibility as the most important employer attributes.

Employers that proactively put policies in place to create a safe and respectful workplace promote an environment that improves employee productivity, engagement, retention, and ultimately financial performance.

The ROI of a respectful workplace

Fairness and equality are elemental to the organizational strategies of destination employers, and they're a differentiator in a strong labor market. The emphasis on these attributes is part of a broader movement toward creating a workplace culture characterized by respect. Employers that place a high priority on reviewing their current practices, and realigning them as needed, are better situated to outpace their competition.

DESTINATION EMPLOYER BUILDING BLOCKS



One recent study links employee engagement directly and significantly to employee retention. Among 16 organizations analyzed, results show that improving engagement by just 1 point on a 6-point scale can trigger a 66% reduction in voluntary turnover. This research also compared the financial performance of bottom-quartile and top-quartile scorers on engagement. On average, organizations with the lowest engagement scores reported a lower operating margin than those with the highest engagement scores.¹

66%

REDUCTION IN VOLUNTARY
TURNOVER*



*With an improvement in engagement of just 1 point on a 6-point scale

Other research reveals that using a formal pay equity process translates to a 13% increase in employee engagement, and a 19% greater likelihood of exceeding industry-average productivity levels. These findings also showed that enhanced engagement leads to improved financial performance. Organizations with above-average engagement were more than 2.5 times more likely to achieve or exceed their revenue goals.²

Creating and fostering a safe and respectful work environment

When employers are ready to take steps toward a work environment that demonstrates stronger respect for employees, there are three key areas of focus to consider. They include organizational assessment, employee and manager development, and policies and processes to manage risk.

Organizational assessment

Improvement begins with an introspective look at how well the organization's policies and culture promote a respectful workplace. Besides offering insight on redefining internal goals and uncovering opportunities for resolving challenges, this process helps ensure compliance with complex and varied municipal, state and federal regulations.

A culture assessment helps employers weigh the merit of potential changes by giving them a sense of how the behaviors, values and attitudes of individuals affect those of the organization. Expanding on the benefit of this awareness, an analysis and evaluation of HR can identify ways to more closely align its strategies with the organization's overall goals. And an HR checkup comprehensively measures improvement needs across all of the department's functions.



In addition, conducting a pay-equity study can increase engagement and retention when findings are used to ensure employees are paid equally for equal work done. Employers should analyze current pay by demographic groups, including gender, ethnicity and age to highlight any areas that raise concern.

Employee and manager development

Employee and manager training is essential to creating a work environment where incidents of discrimination, harassment and retaliation are scarce or nonexistent. Customized training, which may include several methods, helps employers adopt and apply best practices that fit their unique cultural challenges and goals. Individual coaching increases overall awareness, drives behavior change, provides perspective and informs day-to-day strategies for developing pathways to more productive interactions and relationships. And personality and behavioral self-assessments such as the Myers-Briggs Type Indicator and the DiSC Profile support employee and manager self-awareness. Through leadership communication style assessments, managers can further boost their self-awareness and gain deeper insight on how to best engage with others based on each person's preferred style.

Group training facilitates discussion and dialogue among management or employee teams. Activities include thought-provoking questions, sharing real examples and role-playing to drive collaboration and generate ideas. Group training enhances professional development while aligning individual goals to support team objectives.

Other risk management considerations

A deliberate and intentional approach to creating a respectful work environment is critical. At a minimum, it demonstrates to employees that related matters are taken seriously and backed by policies for immediate intervention. Also, employers gain a defense in the event of an employee discrimination, harassment or retaliation claim.

Ensuring fairness and compliance with these processes and policies helps mitigate risk:

- Anti-harassment/bullying policies
- Reporting procedures
- Definition and communication of what constitutes harassment and discrimination
- Pay structure and communication
- Performance management and rating
- Promotion and pay increases
- Developmental opportunities
- Application pools

It's important to note that wage and hour claims are not covered under employment practice liability policies. Stand-alone wage and hour insurance is increasingly accessible and affordable, and should be considered as an option to transfer risk associated with wage claims.

Processes, procedures, training and communication work together to prevent harassment, discrimination and retaliation, and should be aligned with organizational goals to improve employee buy-in and engagement. When employers shift from reactively rectifying issues to a proactively minimizing them, they create a culture of respect that promotes employee trust, wellbeing, productivity and loyalty.



John Ergastolo

Area Executive Vice President, Management Liability Practice

John focuses on public, private and nonprofit management liability exposure analysis and product placement. He is recognized as a national D&O specialist for Fortune 500 and other large accounts.



Chris Ratajczyk

Managing Director, HR & Compensation Consulting

Working from a foundation of nearly 20 years of progressive consulting experience, Chris helps organizations with evaluation and design of base compensation, variable pay and total rewards programs.



Rebecca Starr

National Practice Leader, HR Consulting Services

Rebecca has extensive experience managing, reviewing and evaluating HR functions. She specializes in strategic and tactical approaches to organizing compliant and efficient HR functions.



Liz Wright

Managing Director, HR & Compensation Consulting

Liz works with clients on solutions for their compensation and total rewards needs. Her advanced expertise has made her a sought-after speaker and well-known author whose articles have appeared in prominent trade and financial publications.

¹Gallagher engagement survey research, 2015

²Aptitude Research Partners, "The Power of Pay Equity," March 2017

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its aliates Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services." Neither Arthur J. Gallagher & Co., nor its aliates provide accounting, legal or tax advice.

This is just one of 17 articles from Gallagher's 2018 Human Capital Insights Report. To download the full report, visit ajg.com/hcj_career.