

IDENTIFY THE TRENDS

2018 Human Capital Insights Report



Gallagher

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Insurance | Risk Management | Consulting

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The intent of this document is to provide you with general information regarding the status of, and/or potential concerns related to, your current employee compensation and benefits environment. It does not necessarily fully address all of your specific issues. It should not be construed as, and is not intended to provide, legal advice. Questions regarding specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

A framework for the future: sustaining a healthy workplace culture by inspiring better work.

It's a sign of the times that many employers find themselves caught between two equally forceful dynamics as they look ahead to the future of their workforce. Exhilaration about the promise of greater innovation, improved productivity and organizational growth is tempered by uncertainty about evolving workforce threats, diverse employee needs and affordably competitive benefits and compensation. Nevertheless, employers must embrace this duality to prepare for a more integrated, connected and fast-paced future — and the way forward is to establish a holistic total compensation framework that's structured for the changing drivers of employee engagement.

This sturdier, yet more flexible framework is built around the larger goal, vision and perhaps even the aspiration of a destination workplace. It not only recognizes employees as their organization's most important asset, but also addresses the complexity of managing them well. First and foremost, there's a need to centre on the full spectrum of organizational wellbeing by strategically investing in employees' health, talent, financial security and career growth. And developing benefit and human resource (HR) programs at the right cost structure to support a multigenerational workforce.

Surrounding the core elements of wellbeing is the important realization that society is experiencing a transformation in technology, communication and compliance. Indeed, this is a period that requires elevated human capital risk management that's more diligent and focused than ever before.

Benefit and HR solutions must protect organizations and employees and avoid costly penalties by complying with regulations and relevant laws. While firmly grounded in business realities, these solutions must also be inventive. They need to fully realize the opportunities and efficiencies of technology and harness the power of employee communications.

This alignment creates a shift in the energy of the work environment that inspires better work. An increase in employee engagement and productivity supports destination-employer performance, and is the catalyst for growth and profitability.

Cultivating a destination-workplace identity

While the first steps in building a destination workplace are often the hardest, the return value is likely to offset this effort. The process begins with an inventory of key resources — both human and total compensation. Employers gain strategic insights by assessing their wellbeing value proposition, current and projected healthcare costs, workforce development plans, employee engagement metrics and employee risk factors. They should also consider how

to make compensation more competitive and equitable, and look into the benefit preferences of future workforces.

Once findings are analyzed and implications are understood, employers can formulate a talent strategy that addresses the career-stage needs of a multigenerational workforce. Determining the relative value of jobs should be part of the plan, including pay equity, salary grade and salary ranges.

Destination employers double down on the potential value by also forming a long-range philosophy focused on total wellbeing and engagement. As they pursue that philosophy, they reinforce a healthy workplace culture that leads to better work — improving outcomes for individuals and the enterprise as a whole.



EXAMPLES OF MARKETPLACE ENVIRONMENTAL CHANGES AND IMPLICATIONS

Environmental changes	Example	Implications
Shifting nature and evolving expectations of work	Telecommuting and the gig economy are redefining where employees work. Gender equity analysis is flattening job hierarchies — influenced by social movements like #MeToo and the push for pay equity.	Fair, equitable and transparent HR programs and processes increase employee engagement and help drive recruitment success.
Workforce evolution	Shifting roles and aging workforces may affect attrition, retirement and workplace agility.	Employers with strong reputations for corporate social responsibility and career path support are better positioned to attract younger workers.
Emerging risk factors	Compromised privacy and unauthorized use of personal data have escalated the visibility and importance of mitigating the risk of employee data collection, transmission and storage. Social engineering is increasing this risk.	Technology advances combined with workforce education and training on preventing and remediating data issues will safeguard against reputational risk.

Navigating environmental changes

External political, economic and social trends inevitably pose human capital risk challenges that require organizations to continually adapt. Among the key environmental changes pressing employers to respond proactively are the transformation of the global business marketplace, the shifting nature of work, the evolution of the workforce and emerging human capital risks. These changes are partly driven by artificial intelligence, big data and rapid advances in technology.

Translating opportunities more swiftly and navigating related issues more deftly often calls for enhanced organizational focus, policies or programs. Acting on this commitment helps strengthen the employer's reputation, and promotes the best possible outcomes of a holistic approach to employee wellbeing as part of a destination-workplace strategy.

Forging a reliable path forward

The sooner employers set out on the right path to attracting and retaining the best talent — in a stubbornly complex marketplace — the longer they'll reap the rewards of sustaining a dynamic workforce. Top-performing destination workplaces frequently rely on data to guide their decisions. Objective insights point the way to better management of current resources while also promoting proactive planning for evolving business and employee needs.

It's easy to imagine a future where determining total compensation for all employees looks more like the selection of executive benefits today. Moving beyond a menu of standard options, diverse and individualized benefit needs and preferences would shape employer-employee dialogue and guide mutual decisions.

HR information technology and communication advances that enable this mass customization could also be put to better use — enhancing value by creating stronger, more meaningful connections at a human level.

The promise of tomorrow, combined with the progress of today, is driving destination employers to reimagine their total compensation framework and adopt a more holistic approach to wellbeing — one that inspires and supports better work. From this realignment, a new workplace covenant and culture are emerging. They define a distinct talent management reputation that attracts and engages the right employees in roles that lead to meaningful careers. What's more, when cultural connectivity prevails — and embodies mutual respect, aligned incentives and balanced rewards for employees — employers can mitigate their human capital risk and fortify a sustainable future.



William F. Ziebell
CEO, Gallagher Benefit Services, Inc.

Bill oversees the strategic operation and management of Gallagher's global benefits and HR consulting business. He brings more than 30 years of consulting and problem-solving experience to this role. As the chief driver of client-service excellence, Bill continues to guide and inspire top performance across the organization.

Opportunities and challenges: the Canadian perspective on outperforming the competition as a destination employer.

Geographic borders aren't the barriers they once were to communication and — with some exceptions — business transactions. As the world continues to become more connected across boundaries, it also becomes more alike. One convergence is the greater number of employers in industrialized countries that now share some similar workforce needs, preferences and challenges — although they're still shaped by distinct cultural influences and changing economic, social and political forces. Within this dynamic environment, a growing number of Canadian employers are seeing the competitive opportunity in an integrated approach to organizational wellbeing — through a focus on the health, career growth and financial security aspects of employee wellbeing.

Some employers are conditioned to approach benefits and compensation decisions from the standpoint of cost alone — or they may rely on a more limited perspective based only on employee roles or other silos. A top priority for employers should be looking at their workforce holistically. Broadly assessing the diverse needs and wants of their employee population — by gathering and analyzing quality data — is one way to make more informed decisions about benefits and compensation within a total wellbeing framework. But most important for employers is the development of an employee value proposition.

One purpose of the value proposition is to reinforce the important relationship between attracting and retaining talent — and achieving profit and growth objectives. It's also a pact between employers and their employees that creates a shared understanding of mutual expectations for performance and rewards. To be effective, this pact needs to centre on what employees truly love about their organization. And clear, consistent and thorough communications about the meaning and relevance of the value proposition should be woven into the employee experience from “hire to retire.”

When this happens, employers energize productivity, promote loyalty and build a culture of health that leads to destination-employer performance. Of course, the actual value that the proposition delivers — individually and collectively — will hinge on employers' ability to earn credibility and trust by making good on their intentions.

Clear, consistent and thorough communications about the meaning and relevance of the value proposition should be woven into the employee experience from “hire to retire.”

The components of a successful framework for building a culture of organizational wellbeing need to be in sync with the employee value proposition. In the area of physical and emotional health, employers can realize potential gains through a stronger focus on work-life balance. For example, policies and programs that give employees more flexible work hours — and more options for paid or unpaid time off — will help them keep stress levels in check. When meeting time demands, they'll be better able to integrate work commitments and aspirations with personal responsibilities and inspirations.

Other changing socio-economic norms affecting employer-offered physical and emotional health benefits have surfaced in the pharmacy realm. The decision to cover legally approved prescriptive marijuana isn't always clear-cut for employers because of multiple factors to consider — such as cost. And even though the stigma surrounding marijuana has been declining, some organizations are concerned about the possible effects of recreational use on workers when it becomes legal in October 2018, including the potential impact on workplace safety and employer liability issues.

Promoting financial wellbeing can also pay employee attraction and retention dividends for employers. When it comes to compensation, a competitive and equitable gender pay structure should guide employer practices.

While there are legislative requirements in Ontario and Quebec for both the public and private sectors, women nationwide still earn less than men overall — although there seems to be solid interest in greater parity. A 2018 survey found that 73% of the men and women polled would publicly reveal their salaries if it would uncover unfair gender discrepancies.¹

73%

WOULD PUBLICIZE THEIR SALARIES TO REVEAL
UNFAIR DIFFERENCES IN GENDER PAY



Many employees are struggling with the financial squeeze of belonging to the sandwich generation. They're strapped by the expenses of raising children — often including college — and the cost of providing financial support for parents. These overlapping responsibilities can deplete their retirement plan savings, and are also known to create succession challenges for employers. Offering benefits that help employees reduce spending and improve saving habits can help lower these risks. A comprehensive strategy that combines a variety of tactics may help drive participation in retirement saving plans and related programs — ranging from multiple educational options on personal financial management to auto-enrolment and auto-escalation for defined contribution plans.

Canada's regulatory environment has enjoyed a long-standing reputation for being less burdensome compared to the U.S., but that's likely to change. Employers should expect more compliance challenges to pay equity at the federal level as well as retirement planning in the years ahead — affecting pension plans, executive benefits for highly compensated employees and other vehicles. Employers will want to be vigilant and stay ahead of a trend that will bring the importance of more rigorous compliance policies, practices and overall readiness firmly to the forefront.

For the foreseeable future, many Canadian employers will continue to operate as part of a powerful global economic engine that runs on increasingly complex inner workings. Even for smaller employers, it's difficult to be completely isolated from the effects. So, competing for talent as a destination employer — by driving growth and profits at home or abroad — will require continual oversight and improvement of organizational wellbeing that can only be sustained by total employee wellbeing.



Leslie Lemenager

President, International Region

Leslie focuses on expanding the Benefits and HR Consulting division's international capabilities, and developing the business. Concentrating on helping global employers strengthen employee engagement and increase productivity, she specializes in maximizing their investments in domestic and international employees through impactful total rewards programs.

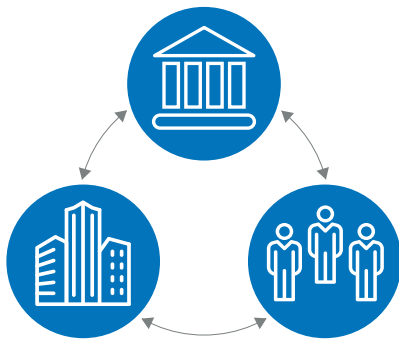


PHYSICAL & EMOTIONAL WELLBEING

Employers' understanding of wellbeing is evolving. This state of human comfort, health and happiness reflects the whole person, and only by engaging the whole person can they motivate the highest possible productivity. While there may be a need to address the core elements of a total wellbeing strategy individually — including financial and career as well as physical and emotional — they are all interdependent. That's why a holistic approach to wellbeing that strengthens all of these elements is a hallmark of destination employers.

Some people think of the physical and emotional elements as the heart and soul of wellbeing, but, in recent years, there has been greater recognition that healthy mind-body outcomes for employees are linked to community involvement, resilience and stress management.

STRONG COMMUNITY ENGAGEMENT



It's increasingly important to employees — and job seekers — to be part of an organization that's committed to creating opportunities for involvement in the communities where they live and work. Millennials — generally those born between 1981 and 1996 — are more likely to evaluate potential employers based on their commitment to giving locally.¹

Actively supporting their communities is good for employers, too. Low community vitality and weak social prosperity negatively affect business performance and productivity.² And on an individual level, volunteering is associated with less work-life conflict, burnout and stress — and more positive mental health.³ Healthy businesses and communities value the ability to cultivate a relationship where there's a mutual investment in the drive to thrive.

Fostering wellbeing starts with existing resources

Typically, employers already have effective resources in place to boost physical and emotional wellbeing. They just need to deploy these assets in a way that allows employees to understand their purpose and value. Conducting a cultural assessment and a resource inventory will not only pinpoint existing resources, but also determine gaps and opportunities.

Building an environment that supports physical and emotional wellbeing often involves gathering information, removing silos, tweaking resources and reinforcing communications. A holistic wellbeing strategy also considers the organization's unique workforce demographics, job types and community initiatives as well as its health.

Fully deploying the right programs and policies is key. For example, employee assistance programs (EAPs) are popular for helping employees cope with stressful situations on and off the job — such as common life events or substance abuse. But they're also one of the most underutilized resources offered by employers. Some organizations are addressing this disconnect by turning to new modes of communication that empower employees to use EAPs in very different ways — focusing on unique opportunities like adult daycare or financial planning.

There are many other ways employers can tweak their resources to boost the power of their physical and emotional wellbeing efforts, such as flexible benefit packages that invite employees to invest in options that make the most sense to them. Including voluntary benefits also allows total compensation to be customized — without increasing the organization's financial burden.

At its core, the pursuit of wellbeing is about cost-effectively meeting the needs of employees where they are in their lives — professionally and personally. Robust data analysis provides directional insight for cost strategies. And equipping managers to help employees build stress resilience through better work-life integration supports the steady progress of wellbeing initiatives. Fostering an environment of physical and emotional wellbeing strengthens an employer to the extent that it strengthens individuals and creates a prosperous community — within the organization and beyond.



Holly Isaman

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Holly works with Gallagher teams and clients throughout Canada to design holistic strategies that address the total employee value proposition, including wellbeing, employment engagement and productivity. She focuses on supporting high performance by fully understanding and supporting the organization's mission.



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Global Practice Leader,
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Ali leads the Wellbeing & Engagement Practice. Her team takes a collaborative approach to communication, retirement, compensation, voluntary benefits, HR, and training and development solutions that help clients more cost-effectively achieve their talent goals.

Empowering a healthy workforce through inner strength and outer guidance.

Leonardo DaVinci is quoted as saying that “everything connects to everything else.” People experience this perspective every day in the sense that every aspect of their life affects every other aspect — whether or not they’re aware of this inescapable relationship. Fortunately, more employers are recognizing that employees’ physical and emotional wellbeing affects how they perform on the job. And that’s likely why promoting and improving employee health and wellbeing is a top priority for 70% of organizations.¹

70%

CONSIDER HEALTH & WELLBEING
A TOP PRIORITY



What employers may not realize is how significantly their culture and work environment can influence wellbeing outcomes — for better or worse. Consider how the effects of stress on employees’ personal and professional lives take a toll on physical and mental health. Workplace-induced stress has been linked to depression, diabetes, absenteeism, disability and employee turnover.² Medical research also shows a relationship between chronic stress and opioid misuse.³

These findings underscore a valuable insight: It’s important for employers to have both effective wellbeing initiatives and a workplace culture that doesn’t inadvertently undermine these initiatives or employers’ larger objectives.

The strength of a resilient workplace

Realistically, it’s not possible to eliminate stress entirely, but employers can equip their employees to manage stress and the challenges that cause it in wiser, more agile ways. Helping employees develop resilience is one key opportunity.

Resilience in a work-life integration context means the ability to withstand, grow and adapt while weathering personal, professional and societal stressors. As the interest in workforce resilience increases, more resources are being developed to help employees strengthen this skill.

The growth of support options is a healthy development for employees and employers alike. Research shows that resilience among employees is associated with reduced stress, greater job satisfaction, work happiness, organizational commitment and employee engagement.²

The benefits of resilience extend beyond improved wellbeing for the individual. That’s because individual resilience helps build organizational resilience, making it easier to withstand the inevitable ups and downs of striving to achieve organizational goals.

It’s important for employers to realize that leaders can make or break their culture.

Leaders influence on workplace culture

Leaders can make or break workplace culture, and equipping them to help build a better employee experience is one of the biggest challenges employers encounter. In many cases, leaders have technical expertise but aren’t experienced in guiding and supporting the performance of others. This is particularly true in organizations that build their management team from within. People tend to get promoted to managerial roles because of their technical expertise — not because of their experience leading people. Yet, creating proficient leaders is critical for two related reasons: (1) leaders impact whether their employees perceive their work environment as positive or negative, and (2) how those employees experience that environment can affect their physical health. For instance, research has found that stressful working conditions may contribute to injuries.⁴ At least one study suggests a negative work environment can also contribute to poor health outcomes because of increased stress.⁵

There are several methods for helping leaders grow in their roles and actively contribute to a positive and supportive work environment. On a large, collaborative scale, focus groups, engagement surveys and similar opportunities for both direct and indirect dialogue allow employees to have a voice in decisions that affect them. Leaders that solicit feedback — and take it into account when making decisions — show respect for the wants and needs of their employees. As a side benefit, employers gain an outlet for ideas that may prove valuable to the organization.

Tactics that centre on the individual employee include defining clear performance goals, communicating in a way that fosters trust and confidence, and supporting employees in developing and pursuing a career path. Giving timely and constructive feedback is another example, which can take the form of recognition of a job well done, meaningful reflection on opportunities to improve, or a discussion regarding a breakdown in performance.

Certainly, many factors affect the ability of employers — and their leaders — to build a sustainably engaging culture and productive work environment that drives the business results they'd like. But a reliable, guiding principle for developing a resilient workforce empowered by that culture is: Do whatever is possible to take care of the employees that take care of the business. It's a no-lose proposition, because the culture that helps employees thrive helps the business thrive, too.



Ehren Baldauf
HR Consulting

Ehren has nearly 15 years of experience in helping clients in the private and public sectors manage their HR function and ensure its alignment with strategic objectives. A career-long HR generalist, his expertise covers labour relations, workplace investigations and a wide variety of other HR challenges.



Michael DiBrina
Area President, Northern Ontario

Leveraging an entire career of financial planning, Michael shows clients how to take control of their financial risks, minimize their tax exposure, plan for wealth transfer between generations, and protect their businesses and families all along the way.



Erin Glover
HR Consulting

Erin works with clients to link strategy to business objectives. Her expertise in HR consulting includes work on mergers and acquisitions, change management, organizational effectiveness, policy design, employee relations, communications and planning.

A large crowd of people is seen from behind, filling the frame. The image is overlaid with a semi-transparent orange filter. The text "CAREER WELLBEING" is centered in the upper half of the image.

CAREER WELLBEING

The competition for top talent is fierce. And once an organization lands an employee, retaining and developing that talent becomes just as important. Without the right work arrangements, organizational values, career roadmaps and development opportunities, the risk of losing talent increases.

The lesson is clear: Career wellbeing — employees' experience encompassing job security, career growth, and connection to an organization's values and mission — matters. Not only does maximizing career wellbeing reduce turnover, but it also enhances productivity and helps organizations meet business objectives.

One way to measure career wellbeing is through engagement. Studies show a strong connection between employees engaged with their work and positive business outcomes.¹

Research suggests that getting compensation right as a foundation underpins efforts to improve engagement and career wellbeing. While compensation in itself is not a key driver of engagement, it will have a significant modifying effect — either positive or negative — on the top three drivers.

TOP DRIVERS OF EMPLOYEE ENGAGEMENT

1

STRONG SENIOR LEADERSHIP

2

AMPLE OPPORTUNITIES FOR EMPLOYEES TO USE THEIR SKILLS AND ABILITIES

3

A WORKPLACE ENVIRONMENT THAT FOSTERS PROFESSIONAL DEVELOPMENT

These drivers are manifest in specific employee programs, policies and perceptions. However, employees are at different career stages and have different perspectives in regard to different drivers.² By and large, maximizing earnings may be important to a 40-something with significant financial obligations, while flexible work arrangements might appeal more to employees with multiple family responsibilities.

And millennials — generally those born between 1981 and 1996 — are considered eager to move up the corporate ladder.³ Many also prefer working for companies with a strong commitment to social responsibility and environmental sustainability.

It's important to recognize every organization has a diverse workforce with individual needs.

Identifying an organization's unique drivers of engagement across the entire employee base is essential. Typically, generous time off, flexible work arrangements and wellbeing programs loom large in supporting positive employee outcomes.

But perhaps even more pressing for Canadian employers is compliance with provincial and federal laws governing equitable pay. In Ontario and Quebec, provincially legislated organizations must have job measurement systems that identify gender-based gaps in pay equity, and how those gaps will be addressed.⁴ On a federal level, the expected passage of employment and labour legislation may change compensation strategy even further.

Professional development, clear career paths and flexible work arrangements are cornerstones of an approach to career wellbeing. A solid compensation program that is well aligned to the business will fully engage employees in their work, and cultivate loyalty to employers.



Domenico D'Alessandro
Compensation Consulting

Domenico oversees a team of specialized consultants to ensure the delivery of high-quality and leading-edge solutions to broad-based and executive compensation issues. His primary areas of expertise include developing sound corporate governance practices, designing incentive programs and complex market compensation reviews.



David Rowlee, Ph.D.
Employee Engagement Consulting

David oversees a team of highly skilled researchers and ensures the delivery of leading-edge measurement capabilities, advanced empirical analyses and innovative research studies to inform clients' operations and strategies.



Liz Wright
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.

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

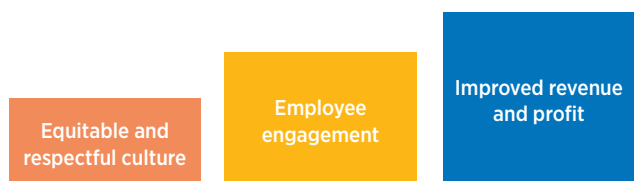
Social pressures for a fair and equitable work environment have been building over the last few decades, with pay equity and anti-harassment emerging as critical issues. From the #MeToo movement spotlighting sexual harassment in the workplace to companies spending millions to amend gender and racial 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 labour 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



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

Other research reveals that organizations with formal processes to ensure equitable pay practices see 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 applicable legislation and regulations.

A culture assessment helps employers weigh the merit of potential changes by giving them a sense of how the behaviours, 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 work of equal value. An appropriate pay system that ensures equitable pay practices helps to eliminate any disparity in pay attributable to demographic groups, including gender, ethnicity and age.

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. It also helps to ensure that, in the event of allegations of discrimination or harassment, employees are clearly aware of the organization process for addressing such concerns.

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 behavioural change, provides perspective and informs day-to-day strategies for developing pathways to more productive interactions and relationships. And personality and behavioural self-assessments such as Insights Discovery, 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

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.



Ehren Baldauf

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Ehren has nearly 15 years of experience in helping clients in the private and public sectors manage their HR function and ensure its alignment with strategic objectives. A career-long HR generalist, his expertise covers labour relations, workplace investigations and a wide variety of other HR challenges.



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Liz Wright

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.

A large crowd of people, mostly seen from behind, with a green tint overlay.

FINANCIAL WELLBEING

With Canadians shouldering record amounts of debt while employers cope with a labour shortage, financial wellbeing is key in maintaining an engaged workforce and attracting top talent.

To find, hire and retain talent, employers need to offer competitive, comprehensive compensation programs. Retirement plans support employees' long-term financial wellbeing: Stresses over finances and fears of not having enough retirement savings affect all aspects of the workplace, from employee health to productivity to turnover.

More than 40% of employees report financial worries make them distracted at work, and those struggling with personal finances are 16% less productive.¹

On average, Canadians owe \$1.68 for every dollar of their disposable income.² More than 40% of employees report financial worries make them distracted at work, and those struggling with personal finances are 16% less productive.¹ Additionally, nearly half of distracted employees spend at least three work hours a week managing personal finances.³ Meanwhile, 60% of respondents in a Conference Board of Canada survey hadn't saved enough for retirement, and one-third weren't sure if they'd be able to retire at all.⁴

These financial stresses have a real effect on the bottom line. In addition to reduced productivity, older employees who can't afford to retire will work longer, costing organizations in higher salaries and healthcare costs. This also impedes opportunities for younger employees, who may leave for greener pastures.

And an aging population — between 1966 and 2016, the average age of Canadians rose from 29.7 to 41 years — raises employer concerns, as more employees will be drawing retirement benefits.⁵

Yet, the percentage of eligible employees enrolled in registered pension plans (defined benefits) has fallen over the past several decades, largely due to a decline in private-

sector backed benefit plans.⁶ With additional burden on employees to provide for retirement, it puts yet more financial stress on the workforce.

Meanwhile, historically low unemployment has put pressure on recruiting and retaining employees. This creates an opportunity for employers with comprehensive financial wellbeing programs: When compensation is more or less static across employers, they can win talent through robust retirement plans.

Three elements are the hallmark of strong retirement plans:

1. **The right contribution formula.** From a plan design standpoint, the right contribution formula can ensure employees have a reasonable level of replacement income.
2. **Segmented communication, based on age.** Segmented communication allows employers to emphasize what's important by demographic and boost participation rates.
3. **Education through multiple channels.** Providing information and education — whether that's a retirement webinar or a live seminar held at a regional office — will get additional employees to buy in to retirement plan.

Financial wellbeing starts with providing competitive compensation, helping employees manage debt and giving ways to save for retirement. When employees have the right tools, education and resources to get the most out of a properly funded retirement plan, financial stress diminishes — and the result is better business.



Dean Clune
Retirement Plan Consulting

Dean and his team manage both the risk and benefit of clients' retirement plans. For the past 10 years, Dean has focused on investments, fiduciary liability, financial wellbeing and plan design for defined contribution plans. He understands how to navigate the ever-changing world of retirement, and helps employers and their employees achieve favourable retirement outcomes.



Dave Dickinson
Area President, Eastern Ontario

With over 30 years of experience in the employee benefit and pension consulting business, Dave brings a breadth of knowledge and excellence in customer service to his clients. He helps firms manage their benefit costs by challenging the status quo and finding ways to make it better.

60%
EMPLOYEE RETIREMENT PARTICIPANTS
WHO HAVE NOT SAVED ENOUGH⁴



Improving financial wellbeing through retirement plan participation.

For employees faced with mounting debt, a high cost of living, rising interest rates, or unaffordable housing options, it's never been harder to save for retirement. And for employers, it's never been more important to support employees' financial wellbeing through a strong retirement plan.

Investing in financial wellbeing is essential to supporting overall employee and organizational wellbeing. Retirement fears, such as not having enough money to retire or outliving one's savings, are a prime concern for many employees. These concerns affect career and employer choices as well as saving habits and financial behaviour overall.

Participation in defined benefit plans has dropped steadily for the last several decades.¹ But for some organizations, there hasn't always been a corresponding rise in participation in defined contribution plans, such as a group registered retirement savings plan (RRSP). The gap represents a portion of the workforce that may encounter increased financial anxiety over retirement fears.

Retirement fears, such as not having enough money to retire or outliving one's savings, are a prime concern for many employees.

Contributors to financial stress

The biggest causes of financial stress on Canadian employees are personal debt and the cost of housing. Canadians now owe an average of \$1.68 for every dollar of disposable income, generally attributed to the rising cost of living.²

Housing costs in many urban areas (Vancouver and the Greater Toronto Area in particular) are at historically high levels. Higher interest rates at the end of 2017 and early 2018 have put home buying out of the reach of many, while resulting in increased mortgage payments on some homeowners.³

Another source of financial stress is universal to Canada and the U.S.: Employees in their prime earning years or those nearing retirement are often part of the sandwich generation, caring for elderly parents while supporting a family of their own.

\$1.68

CANADIANS OWE MORE FOR EVERY DOLLAR²



These forces have created enormous pressure on household budgets, and participation in employer-sponsored retirement plans can suffer as a result. Such financial stresses have an impact on the workplace as well, resulting in lower productivity and higher rates of turnover.

Low employee participation rates

Participation rates in group RRSPs and deferred profit sharing plans, indicative of voluntary participation in defined contribution plans, hover near 60% of eligible employees. That compares to around 70% of American employees with access to defined contribution plans.^{4,5}

For Canada as a whole, more than 30% of the nation's 14 million households contributed to registered pension plans in 2015, with 35% contributing to individual RRSPs. Unsurprisingly, participation peaks in households with after-tax household incomes ranging from \$100,000 to \$200,000, and falls in concert with income levels.⁶

About 43% of Canadian employers have mandatory enrolment in a pension or group savings plan, while 61% provide education to employees at least annually.⁷ Those numbers may not tell the entire story of low participation in defined contribution plans, but they do illuminate the opportunity Canadian organizations have to increase use of more innovative engagement strategies.

Perking up participation

Key for employers in helping employees relieve financial stress is an inventory of their organization's financial wellbeing resources. For instance, only 54% fully match plan contributions, while 30% identify "inadequate" retirement plans as a top benefits concern.⁸

It's important to take a holistic inventory of existing financial wellbeing resources that considers other benefits, organization demographics, and the way the company educates and engages employees. This enables employers to identify gaps and opportunities in their financial wellbeing strategies.

Devising a strategy

Once employers can see where they can improve financial wellbeing, it's incumbent upon them to devise a financial wellbeing strategy. In forming a strategy, they should keep in mind employees' particular sources of financial anxiety, including household debt and housing costs. Debt counseling, help in addressing spending habits, and information on resources available for elder care can reduce financial stress and free up money for defined contribution plans.

Some organizations have taken it a step further with initiatives such as onsite daycare, debt repayment programs, and relocation to a transit-friendly worksite or telecommuting to reduce transportation costs. Helping employees cope with that stress — by changing spending habits and increasing savings — can pay off in higher productivity and employee engagement.

Starting with education

Employee education is crucial. Ultimately, such education should have specific target goals to boost financial wellbeing. Educating employees on the tax benefit of group retirement plans, for instance, or money management to reduce debt are examples of specific goals that support financial wellbeing efforts.

Employee education can help in numerous ways. For example, more than half of employers say eligible employees do not take full advantage of matching contributions to their defined contribution plans.⁹ Simply letting employees know the power of employer matching — and the consequences of not saving long term — can create greater engagement with the retirement plan.

An investment now in financial wellbeing will pay major dividends in the future. Improved financial wellbeing can result in higher productivity, lower turnover, greater employee engagement and an improved market reputation that can help attract high-quality employees. Ensuring that organizations get the most out of their retirement plan is a major step towards meeting these goals.



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Diego Favero

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Diego provides consulting advice and services to employers and plan administrators concerning their individual and group wealth strategies as well as group pension plans. His many years' experience in wealth management helps ensure effective group and individual retirement plan management for employers.



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Rob works to help clients accomplish their retirement plan goals through plan design and execution. He has extensive experience in working with large employee benefit companies and pension administration organizations in client relationship management and consultancy services.

A large crowd of people, mostly seen from the back, with a blue overlay. The text "ORGANIZATIONAL WELLBEING" is centered in white.

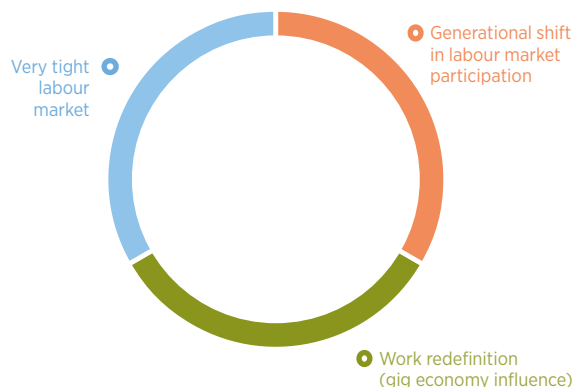
ORGANIZATIONAL WELLBEING

“Organizational wellbeing” is more than corporate speak, but an ideal for organizations to define and achieve as they continually strive to improve.

The current labour market, high workplace stress and the changing nature of work are redefining organizational wellbeing, making the concept all the more urgent for employers. The emergence of the gig economy alters fundamental relationships between employer and employee, and organizations must now balance retaining experienced, older employees with meeting the high career expectations of millennials.

These trends should compel organizations to consider the long-term implications and the need to formulate a human capital strategy — built with ongoing compliance, active communication and applied technology — to better manage inherent risks and opportunities.

MAJOR TRENDS DEFINING ORGANIZATIONAL WELLBEING



Compliance

Compliance with workplace rules and regulations can be maddening, and many leaders may put it on the back burner when addressing so many other pressing issues.

Recent federal and provincial laws on equal pay and compensation transparency have only increased the burden further. And that's not including the already-complex set of laws governing leaves of absence.

Complying with only some of these laws or with some of the workforce can diminish an employer's standing with its employees. What's more, partial compliance creates increased regulatory and liability risk.

Communication

Communication helps organizations inform, inspire and engage employees. A wealth of evidence underlines the role internal communication plays in driving employee engagement, and the positive impact of employee engagement on the organization.

Historically low unemployment puts additional pressure on organizations to take a strategic approach to communications.¹ To maximize engagement, employers need to communicate a compelling employee value proposition. An employer may have great benefits or career opportunities, but poor communication of these to current and potential employees will negate their value.

Tools such as engagement surveys are often a first step towards improving communications. Keeping employees educated on benefits and rewards, the health of their organization, and management's commitment to wellbeing is essential for engagement and retention.

Technology

Choosing, implementing and integrating HR and benefits technology can be challenging, and executives may be fearful of embracing too quickly. Cyber threats can put employees' personal information at risk to theft, damaging trust and leading to legal and regulatory actions.

But organizations depend upon technology to deliver HR and benefit programs. Technology helps employees navigate the thicket of benefit options, and aids decision making by delivering printed materials and webinars, or access to expertise.

With an approach that folds in proper compliance, strong communications and the right technology, organizational wellbeing will flourish — and create better organizational and employee outcomes. The organization stays ahead of a changing labour market, creating a sustainable competitive advantage. Morale increases, and the organization thrives as an employer of choice.



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An expert on legal issues affecting health and welfare benefits in the public and private sector, Kat is responsible for responding to compliance questions and reviewing plan documents, summary plan descriptions and employee communication.



David Krieger

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David has over 30 years of benefits and communication consulting experience. Working with clients across all sectors, David helps to ensure the alignment of their benefits and communication plans with their overall business strategy.

Choosing a values-based approach to ethics, social governance and employee engagement.

Despite its buzzword status, “corporate social responsibility” is an important dimension of organizational leadership. Businesses and unions, as well as government and nonprofits, operate in a legal, regulatory and political environment in which actions may have social consequences. A few familiar examples are operational activities, relationships with other organizations, charitable donations, and investment decisions for retirement funds and other assets.

Some theories of corporate governance suggest such concerns should not influence business behaviour. The economist Milton Friedman once argued that “the social responsibility of business is to increase its profits, without deception or fraud, and nothing else.”¹ On the other side of the debate, BlackRock Chairman and CEO Larry Fink announced in his 2018 open letter to CEOs that “a company’s ability to manage environmental, social, and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth, which is why we are increasingly integrating these issues into our investment process.”²

Considerations for building a values-based enterprise

Most leaders acknowledge that ethics and social engagement matter because ethics matter to employees, customers, business partners and investors. Employees — especially millennials — often prefer to work for an employer whose values align with their own. And socially responsible organizations stand to gain a burnished reputation that establishes or enhances their destination-employer standing. However, it’s important to maintain control of the values-based narrative to avoid damage to reputations and a diminished standing. This risk has always been present, but the stakes are higher in a social media age when judgments, whether fair or not, can swiftly go viral.

The challenge for all organizations is promoting conduct most likely to strengthen their reputations and minimize related risk exposure. This might be simpler if organizational decisions were not made in extremely complex and constantly shifting environments.

Attitudes can change quickly toward approaches that were once broadly tolerated or even supported. In early 2018, the views reflected in the #MeToo movement dramatically lowered the tolerance for sexual harassment in the workplace, just as the reactions to the Parkland, Florida, school shooting led some large Canadian retailers to stop selling to major outdoor brands with ties to the National Rifle Association in a no-win situation. While these lessons may not apply equally to all organizations and there’s no guarantee of choosing the right approaches, experience reveals some favourable options:

- Adopting organizational values that are a realistic commitment
- Earning a reputation for ethical business behaviour
- Allowing employee priorities to drive charitable contributions
- Aligning investment decisions with organizational values

Adopting organizational values that are a realistic commitment

Values are the expected behavioural norms, and are an integral part of organizational culture. Some values are stated explicitly and others are simply assumed, but all values should constitute a realistic commitment for the organization. It has become common practice to make only the most important values statements explicit.

Earning a reputation for ethical business behaviour

Most employers like to believe they behave ethically as well as legally. Building that reputation into the brand takes a steadfast commitment to closely managing all attributes of an ethical organization. In a reputation environment dominated by 24/7 globally networked news and media outlets, it’s important to avoid missteps or misinformation.

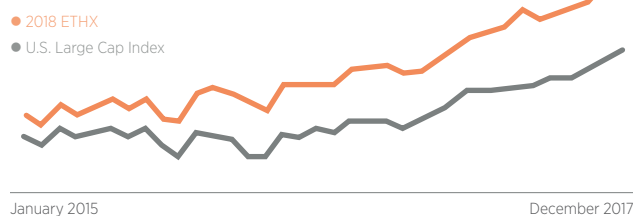
Naturally, a person’s direct experiences with an organization are the most influential and trusted. So ethics policies, programs and systems must be in place that strongly and consistently support specific workforce behaviours — and business decisions — aligned with clearly defined organizational values. Once ethical principles have been fully internalized and actualized, external recognition can reinforce what clients, customers and others who interact with the company experience firsthand.

There are several respected organizations dedicated to driving sustainability and corporate responsibility in Canada and abroad that evaluate and formally recognize companies that excel. Rankings on annual lists like the Ethisphere Institute's "World's Most Ethical Companies" are based on rigorous methodologies and objective information. Other honours that recognize the outstanding achievements of individual executives can also help organizations earn marketplace credibility as ethical leaders.

3-YEAR ETHICS PREMIUM³

4.88%

Performance of the listed 2018 Ethisphere Honourees as compared to the U.S. Large Cap Index over the 2015–2017 calendar years.



Allowing employee priorities to drive charitable contributions

Organizations use charitable contributions for a variety of purposes, like supporting their local communities or investing in causes that align directly with their business or operational focus. Deciding where to allocate funds is an important expression of organizational values.

Putting employee intent at the centre of social contributions builds employer responsiveness into the fund allocation process. By involving employees in decision-making and inviting them to connect with the causes that matter most to them, the organization demonstrates respect for employees' individual values.

Aligning investment decisions with organizational values

Over the past several years, it has become easier for individuals and organizations to adopt investment strategies that match their priorities for social responsibility. According to a 2016 report, Canadian assets using at least one responsible investing strategy grew 49% over two years.⁴ The amount invested represents more than \$1.5 trillion in assets.

A fundamental question facing enterprise leaders and investors considering social responsibility-driven strategies is whether they can "do well by doing good." Investment strategies can take decades to fully evaluate. However, a 2015 study notes positive results: When evaluating the performance of more than 10,000 open-end mutual funds, the study concluded that "sustainable" investing strategies met or frequently outpaced the performance of traditional strategies.⁵

There appears to be a connection between socially engaged companies and the greater desires of employees to work for them and consumers to buy from them. Essentially, the commitment to pursue values-based strategies depends on unified values of leadership and the strength of their desire to do the right thing.



Melanie Jeannotte
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Melanie partners with HR teams in midsize and large organizations across Canada and the United States to create tailored benefit and HR programs. Melanie's extensive experience includes work in national insurers and consulting firms, and she currently leads a team of 55 benefits, pension and HR consultants.



Tom Tropp
Ethics & Sustainability

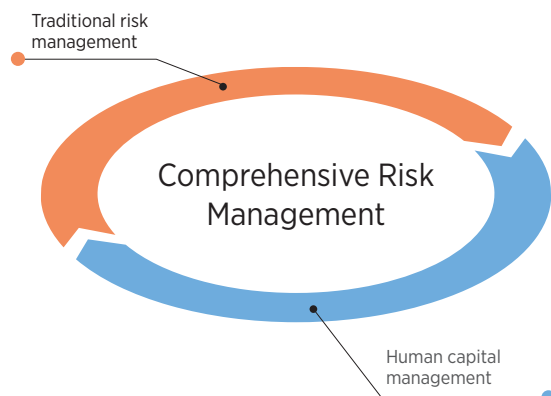
As internal ambassador of ethics and sustainability, Tom visits offices around the world engaging with Gallagher employees about the company's shared values and the role of ethics in business. He is also the liaison to the United Nations Global Compact, the Ethisphere Institute, the Boston College Center for Corporate Citizenship and other organizations dedicated to the cause of corporate social responsibility.

The crossroads of traditional risk management and human capital risk management.

Traditional options to risk management centre on four questions: What risks do we avoid? What risks do we transfer? What risks do we assume? And which risks are insurable? As companies turn to more sophisticated approaches to identify, measure, monitor and manage their risks, these important qualifying questions still apply to a cohesive risk management strategy. After all, long-standing risks like worker safety, employment practices and data security still exist. But the forms these risks take are changing, along with employers' understanding of what constitutes a risk.

Take a look at some of the risks that are top of mind in 2018 but didn't receive as much attention 25 years ago: cybersecurity, damage from negative social media or "fake news," workplace violence and harassment, the gig economy, and pay equity — or lack thereof. These evolving threats and pressing issues are both grounded and impacted by a human element — employees. Employers have the challenge of multi generational workforces that consist of individuals with different work styles, experiences and expectations. That's why it is smart to take a blended approach to risk management that melds traditional cost management tactics with a human capital perspective.

COMPREHENSIVE RISK MANAGEMENT OFFERS PROTECTION FROM BOTH FINANCIAL/LEGAL AND HUMAN RISKS



Incorporating a human capital approach into a risk management strategy

A comprehensive risk management strategy for an employer mitigates or avoids financial liabilities while fostering an environment that limits human capital risk. Unlike financial risk management, which focuses on risk measurement, a human capital approach focuses on talent goals and outcomes by addressing uniquely important questions. They include: What can we do to value and promote employee retention? What can we do to engage our employees? How can we increase employee productivity? And how do we minimize risky behaviour among employees?

Human capital risk management policies can take several forms. For instance, organizations can help protect themselves against employee data theft, reputational risks and cybersecurity breaches by implementing security procedures and training the entire workforce on safe handling of sensitive data. Any employee can inadvertently expose the organization to risk.

Workplace safety can be enhanced through EAP services and other resources that support mental health. And management training and education can reduce pay inequity and prevent discrimination or harassment claims.

Limiting human capital risk also means adroitly managing a changing and varied workforce that spans the generations from millennials to baby boomers. Risk can come from the different expectations and assumptions these employees bring to the job, and addressing their diverse priorities helps an employer build a culture that engages and retains employees.

Human capital risk management in action — the gig economy

The nature of work — who, what, where and how it will be done — is rapidly evolving due to technology, artificial intelligence and turnover among younger employees, as well as other factors. New roles are emerging, which are often transitory or contract-based. As a response to these changes, the emergence of the gig economy showcases why it's important for employers' risk management policies to balance financial and human capital concerns.

Driven by the transition from a primarily industrial to a service-based economy, this new labour market is a movement toward increased hiring of workers as needed for specific projects or tasks, and paying them by assignment.

Employers both benefit from and assume new risks when using independent contractors. Gig employees provide a diversified and ultimately more sustainable compensation spread, allowing employers to attain high-quality work from specialists at a predictable expense. Avoiding benefits above pay insulates organizations from rapidly increasing health and pharmacy costs. The gig economy also supports a phased retirement strategy whereby workers that may otherwise delay retirement can transition into an independent contractor role, reducing both employer and employee obligations.

However, contract employees often operate in a grey zone concerning employers' legal obligations to their workers. It's not unusual for employees and gig workers to perform duties with shared characteristics, and employers that consider their gig workers independent contractors may find the courts disagree — ruling that these workers are, in fact, employees. Some provinces have had codified the idea of a “dependent contractor,” or a one-person business working for a single client.¹

But when things go wrong and gig employees expect their employers' liability insurance to pay, they may find insurers disagree, and do not consider these workers employees.

There are other areas where laws, insurance and legal frameworks have not caught up with gig economy norms. How do employers protect trade secrets or maintain workplace safety when gig workers have only loose connections to organizations? The answers to questions such as these are still evolving. But they are topics that should be on employers' minds because of the gig economy's possible risks.

That said, these new and growing risks are worth assuming and managing in order for employers to both meet changing workforce needs and preferences, and maintain a pay structure that can be expanded and contracted as business needs fluctuate.

How leading-edge employers think about and manage risk

Sound advice for all employers is to conduct regular self-assessments that review their risk portfolios and illuminate areas of vulnerability. Taking an unflinching, integrated look at traditional financial risks and human capital risks — and strategically planning for the unexpected — can help organizations maintain stability and profitability.

The most effective outcomes will consider not just total past costs, but also potential future costs based on present risk transfer and assumption decisions.

Leading-edge employers have comprehensive risk management approaches. As new risks emerge and traditional risks evolve, these employers ensure that gaps and overlaps between their different types of insurance policies are managed on an ongoing basis. They are thoughtful about using insurance to their greatest advantage by funding and addressing risks most effectively. That means not exposing the company to too much liability if a risk becomes reality, but not overestimating how much risk a company faces. Beyond insuring certain risks, comprehensive management incorporates human capital risk into the equation through training, creating a culture of respect, and accommodating today's workforce needs. It is this type of organizational management that helps an employer achieve destination status — in the eyes of its employees and applicants, including its independent contractors. All workers benefit from a highly supportive and collaborative work environment that promotes productivity.



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Drawing upon 30 years of domestic and international consulting and executive management experience, Henry provides organizational leadership and operational strategy for clients within the Ontario region.



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Mark brings 25 years of experience at Canada's largest financial institutions to Gallagher's insurance brokerage team. He uses his enterprise risk management and insurance expertise to collaborate with his clients as an extension of their risk management teams.



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About Gallagher

Better. It's something all companies strive for. Better outcomes from better performance. But how do you get there?

You start by building a better workplace. One that attracts, engages and retains top talent. What does that look like? It's a workplace where people feel they belong — where there's a stronger sense of developing a career than punching a clock. And a culture of opportunity that draws new talent because it inspires employees to deliver their personal and professional best.

Gallagher's comprehensive approach to benefits, compensation, retirement, employee communication and workplace culture aligns your human capital strategy with your overall business goals. It centres on the full spectrum of organizational wellbeing — strategically investing in your people's health, talent, financial security and career growth. And developing benefit and HR programs at the right cost structures to support a multigenerational workforce.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher helps you gather new insights and apply best practices that promote productivity and growth. A data-driven focus allows you to continually improve.

That's what it means to create a better workplace culture. It's about never being content to rest each time you reach your best. Your better is never finished.

As you develop and sustain this destination workplace culture, your people can thrive and perform at a higher level — optimizing your annual talent investment and mitigating organizational risk to maximize your profitability. Best of all, you gain a competitive advantage as a workplace that simply works better.

Arthur J. Gallagher & Co. (NYSE: AJG), an international insurance brokerage and risk management services firm, is headquartered in Rolling Meadows, Illinois, has operations in 34 countries and offers client-service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.

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