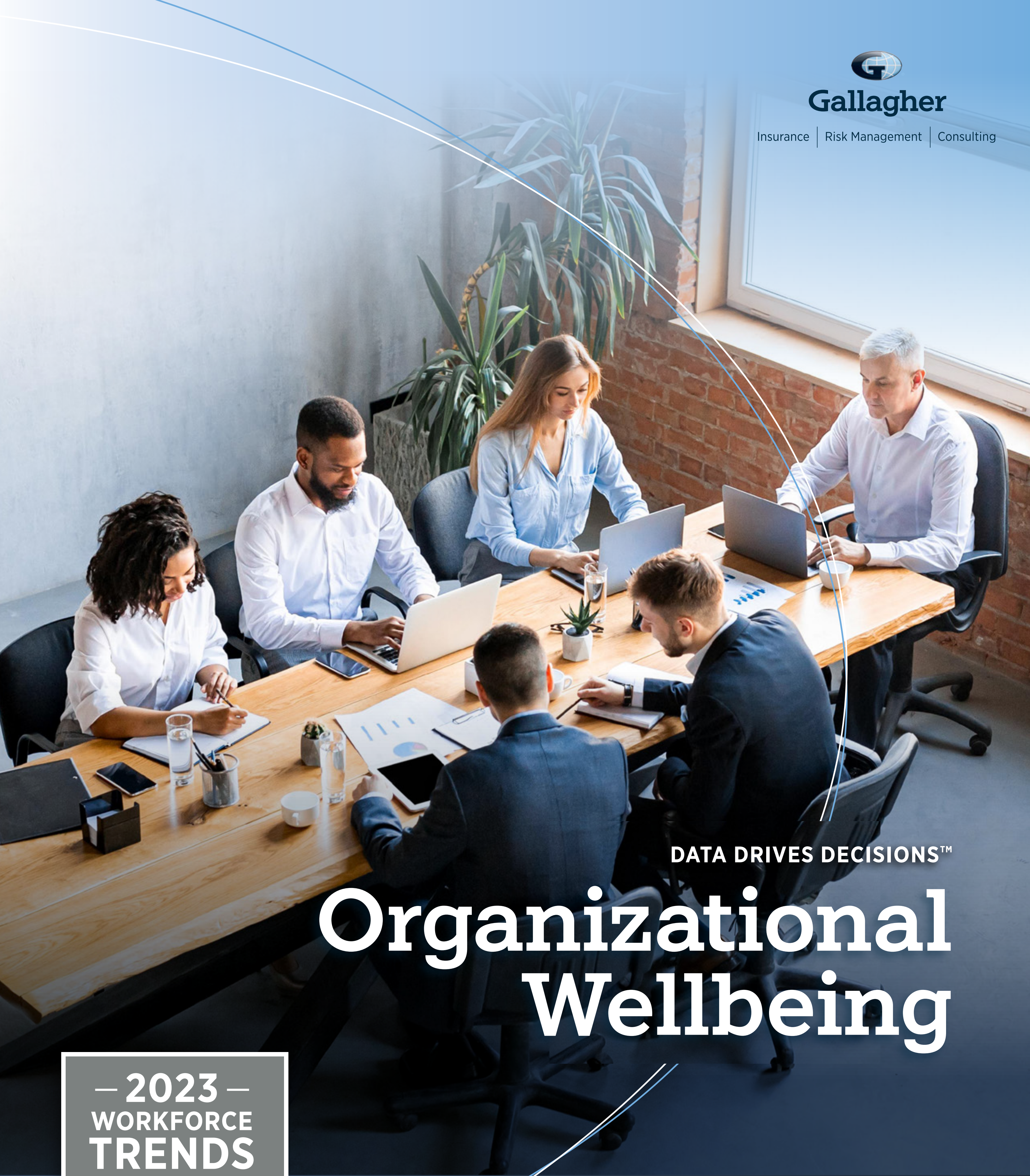

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Organizational Wellbeing

— 2023 —
WORKFORCE
TRENDS
REPORT
SERIES

Benchmarks for benefits, HR and people strategies to help organizations thrive.

US EDITION

— 2023 —
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2023

1 **ORGANIZATIONAL WELLBEING**
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Benchmarks for medical, pharmacy and voluntary benefits, as well as absence management strategies

3 **CAREER WELLBEING**
Benchmarks for diversity, equity and inclusion and employee engagement

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Benchmarks for retirement benefits, as well as group life and other supporting coverages

2024

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Introduction

Physical, emotional, career and financial wellbeing considerations are interlinked, and making effective decisions comes with nuances. Add challenging economic factors and workforce trends to that mix, and the need for an organizational wellbeing strategy becomes clearer. In recent years, organizations have been forced into a reactive mode, but they're looking to the future with a focus on fostering a more strongly attached workforce.

Until recently, many employers made do with basic expense information when evaluating their approach to compensation, benefits and retirement contributions. Now they can readily access technology that combines data across departments, providing information and insights at both the micro and macro levels. What they gain is a better understanding of how to measure engagement, the employee experience and organizational attachment—with the clearest view into return on investment (ROI).

Culture and environment are also taking on a larger role in organizational wellbeing, through a focus on establishing workplaces that are accommodating and psychologically safe. Diversity, equity and inclusion (DEI) is one initiative at the forefront. Likewise, employees expect a reasonable level of work flexibility, which is not only essential to wellbeing, but also contributes to a more productive work environment and higher retention.

Getting out ahead of change, not just keeping pace, has become a more critical directive for meeting employees' needs. By aligning total rewards with organizational priorities, employers provide the foundational structure for strategic success.

Part of our Workforce Trends Report Series, this installment covers organizational strategy, DEI, HR technology and healthcare cost considerations. It presents recent findings on current and emerging trends to help employers optimize their investments in the wellbeing of their organization as a whole.

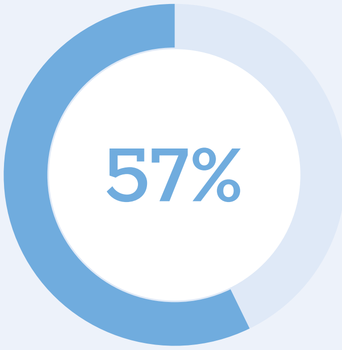
Each of the other reports centers on a specific aspect of employee wellbeing, including physical, emotional, career and financial.

Data and insights are compiled from a variety of Gallagher benchmarking surveys, conducted each year to capture current and emerging trends. In this report, they're based on the results of our US Benefits Strategy & Benchmarking Survey, gathered from December 2022 to March 2023. A total of 4,030 organizations across the US participated.

Findings are broken out by region, organization size and ownership structure for peer comparison. Each section features core data highlights, contains tables with detailed results and wraps up with key takeaways. 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.

To discuss your total rewards strategies, contact your local Gallagher representative or one of the advisors listed in the back of the report.

1



Employers that predict an increase in workforce headcount by 2024

Revenue and headcount are forecasted to grow throughout 2023. Competitive compensation, system automation and a better employee experience can help all organizations prepare.

2

Employers rank retaining talent as their No. 1 priority

Retention far outranks other top operational and HR priorities in 2023—putting total rewards and the employee experience in the spotlight, right alongside heavy investment in base salaries.

3

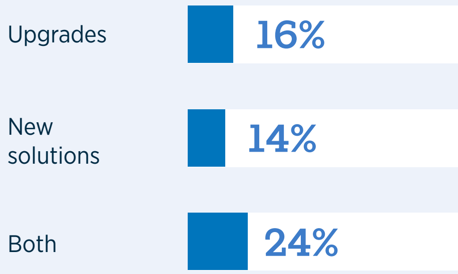
More than 2 in 5

Employers include DEI oversight as a leadership accountability measure

Most DEI initiatives are managed by HR, but more employers are holding leaders accountable for oversight since they set the tone and vision for policies and practices throughout the organization.

4

Enhancements planned for HR tech by 2025



In all likelihood, HR technology will become a must-have for organizations because of the efficiencies it generates by automating tasks and complying with regulations.

5

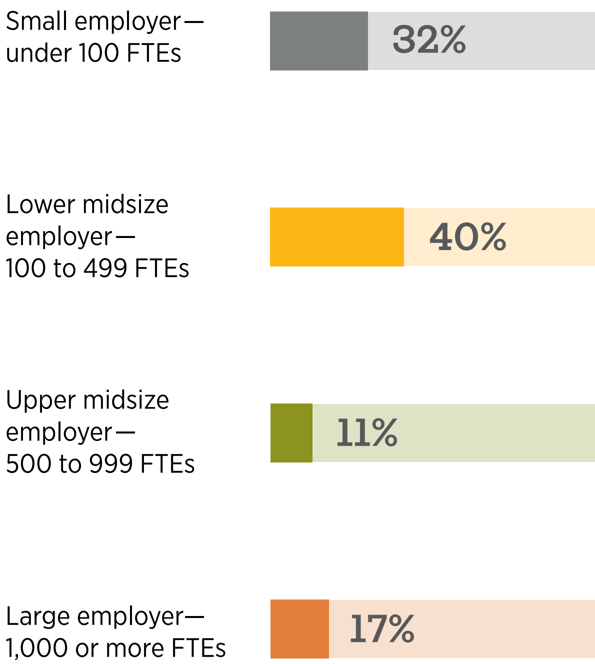
More than 1 in 2

Employers increased employee cost sharing in 2023

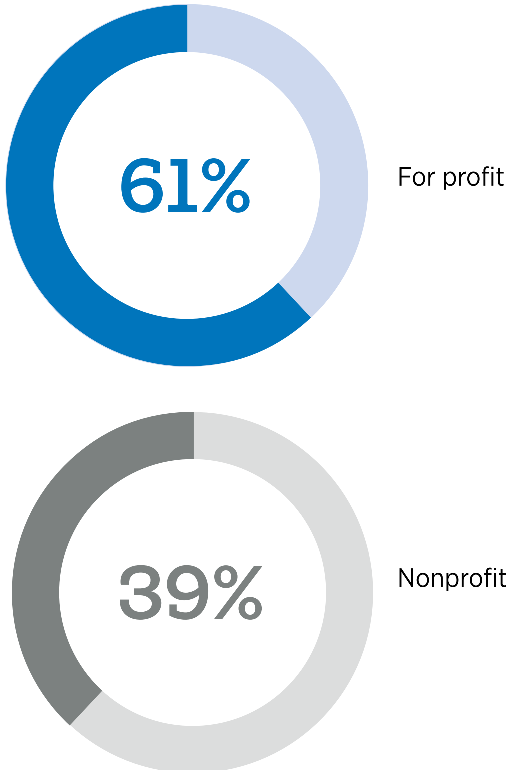
Rising medical and pharmacy costs are prompting increased cost sharing, but employers are also looking to telemedicine, healthcare decision support and cost-transparency tools to help offset these growing expenses for their people.

BENEFITS STRATEGY & BENCHMARKING SURVEY PARTICIPANT PROFILE

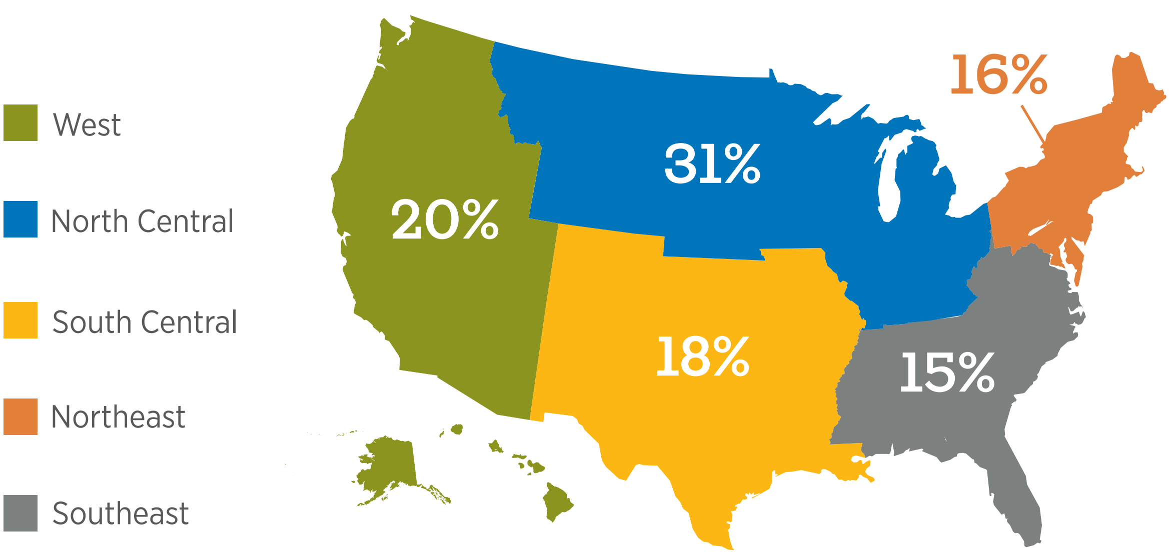
Workforce Size—Full-Time Equivalents (FTEs)



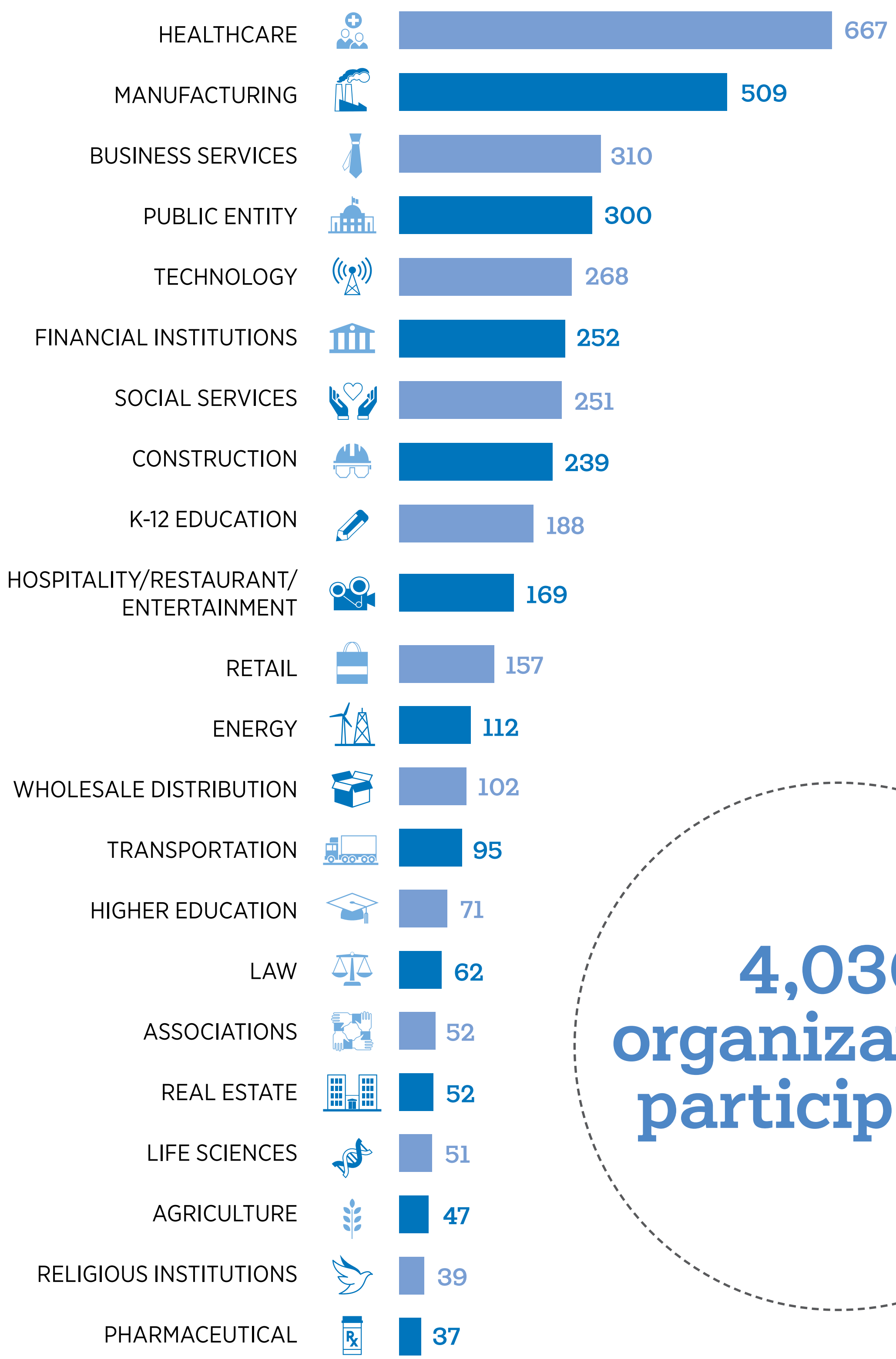
Ownership Structure



Geography



Number of Participating Organizations by Industry



4,030 organizations participated

Organizational Wellbeing

Developing and implementing an effective approach to organizational wellbeing revolves around seven key themes:

- Preparing for the challenges of labor market competition
- Increasing retention as a key priority
- Enhancing total rewards to attract and retain talent
- Aligning DEI and work culture initiatives
- Optimizing work with HR technology advancements
- Managing rising healthcare premiums and employer spending
- Stabilizing employee cost sharing while increasing cost controls

Preparing for the challenges of labor market competition

While employers are optimistic about revenue and headcount increases, different industries and geographies could be uniquely affected by economic disruptions at different times. One forecast predicts that the economy will continue to weaken and the effects will spread more widely throughout the US, leading to a recession at midyear. Labor market tightness is expected to moderate over the coming quarters, but remain elevated relative to previous economic downturns. However, due to demographic complexities, it's likely to be an ongoing challenge for the foreseeable future.[1]

Nevertheless, more than 9 in 10 employers project a revenue increase (63%) or no change from 2022 (30%), and most anticipate a rise in headcount (57%) instead of a decline (6%). Uneven labor market trends are likely to drive recruiting and retention efforts during a sustained period of economic instability.

The global crisis of 2020 has been a turnover accelerant for three years and counting, and employers continue to see annual increases. More than half (51%) experienced a rate of 15% or more in 2022, including nearly 1 in 5 (18%) whose rate was 30% or higher.

More than **1 in 2**

Experienced a turnover rate of 15% or more in 2022

Legislative changes are also complicating hiring. Several states already limit the use of noncompete agreements or clauses, and the Federal Trade Commission (FTC) is now poised to issue a federal ruling that would ban them nationwide. For the 30 million or so employees currently subject to a noncompete, the impact could be significant.[2] The underlying rationale is that employers have used these agreements to control employees, and taking legal action when subject to an unlawful noncompete can be economically unfeasible. Legal challenges likely await this ruling. However, employers are proactively evaluating retention measures such as deferred compensation as sustainable countermoves.

TECHNOLOGY & INNOVATION INSIGHT

ChatGPT and other recent tech advances stretch the imagination with the prospect of making work easier, along with the possibility of eliminating jobs. Yet projections show that among HR departments leveraging **artificial intelligence (AI)**, more than 80% use it to support the employment decision-making process. With the help of predictive algorithms, software can incorporate hiring steps such as resume scanning, video interviewing and testing. No federal laws currently restrict the use of AI in hiring, but the government has issued guidance that advises caution due to potential compliance, bias and discrimination concerns. Meanwhile, states and cities have started to pass and implement legislation affecting AI's role in employment decisions.[3]

Expected change in revenues by 2024

Category	Base	Decrease substantially	Decrease a little	Stay about the same	Increase a little	Increase substantially
ALL	3,591	1%	6%	30%	51%	12%
North Central	1,198	1%	6%	32%	52%	9%
Northeast	529	1%	5%	37%	45%	12%
South Central	652	1%	7%	25%	55%	12%
Southeast	535	1%	4%	26%	52%	16%
West	677	1%	7%	28%	50%	14%
For Profit	2,129	1%	5%	21%	57%	17%
Nonprofit	1,391	1%	8%	43%	43%	5%
Under 100 FTEs	1,140	1%	6%	29%	51%	14%
100 to 499 FTEs	1,435	1%	5%	30%	52%	12%
500 to 999 FTEs	387	2%	9%	32%	49%	9%
1,000 or more FTEs	597	0%	7%	30%	52%	10%

Expected change in workforce headcount by 2024

Category	Base	Decrease substantially	Decrease a little	Stay about the same	Increase a little	Increase substantially
ALL	3,624	1%	5%	37%	48%	9%
North Central	1,213	0%	6%	39%	47%	7%
Northeast	537	0%	5%	42%	43%	10%
South Central	658	1%	5%	36%	49%	9%
Southeast	534	1%	5%	31%	53%	10%
West	682	1%	6%	34%	49%	10%
For Profit	2,145	1%	5%	31%	51%	12%
Nonprofit	1,403	1%	6%	45%	44%	5%
Under 100 FTEs	1,145	1%	4%	40%	47%	8%
100 to 499 FTEs	1,447	0%	5%	37%	49%	10%
500 to 999 FTEs	395	1%	6%	33%	52%	8%
1,000 or more FTEs	606	0%	8%	35%	47%	10%

Actual turnover rate for FTEs in 2022

Category	Base	Less than 3%	3%–5%	6%–9%	10%–14%	15%–19%	20%–24%	25%–29%	30% or more
ALL	3,628	13%	9%	11%	16%	13%	12%	8%	18%
North Central	1,179	11%	9%	11%	17%	15%	13%	8%	17%
Northeast	536	18%	11%	11%	18%	12%	11%	5%	13%
South Central	655	13%	8%	10%	14%	14%	13%	8%	21%
Southeast	528	10%	9%	11%	17%	12%	12%	9%	20%
West	730	14%	9%	11%	15%	11%	11%	8%	21%
For Profit	2,156	12%	10%	11%	16%	12%	11%	8%	20%
Nonprofit	1,417	13%	8%	10%	16%	15%	14%	7%	15%
Under 100 FTEs	1,210	27%	13%	12%	13%	8%	9%	5%	13%
100 to 499 FTEs	1,467	7%	9%	11%	17%	14%	14%	8%	20%
500 to 999 FTEs	377	4%	5%	9%	23%	17%	12%	11%	21%
1,000 or more FTEs	567	2%	7%	8%	16%	19%	16%	9%	23%

Actual versus the targeted turnover rate for FTEs in 2022

Category	Base	Substantially lower	A little lower	About the same	A little higher	Substantially higher
ALL	3,250	4%	10%	48%	28%	10%
North Central	1,114	3%	11%	44%	32%	10%
Northeast	474	3%	6%	55%	27%	9%
South Central	582	5%	11%	48%	26%	10%
Southeast	491	3%	10%	50%	27%	11%
West	589	4%	7%	50%	26%	12%
For Profit	1,925	4%	9%	49%	27%	11%
Nonprofit	1,273	3%	10%	47%	30%	10%
Under 100 FTEs	1,057	7%	9%	51%	23%	10%
100 to 499 FTEs	1,328	2%	10%	46%	30%	11%
500 to 999 FTEs	350	2%	10%	45%	34%	9%
1,000 or more FTEs	501	1%	9%	48%	31%	11%

STRATEGY

Increasing retention as a key priority

Retaining employees is the No. 1 priority for operations in 2023 (51%), just edging out the No. 2 priority, which is growing revenue or sales (47%). Retention is also the top HR priority (66%), continuing a gradual trend from 2022. Attraction is currently a lesser concern, and like retention, far fewer employers rank it as a top operational priority (34%) than a top HR priority (49%). Overall, the emphasis strongly favors retention.

Responding to labor shortages and turnover, many organizations enhanced compensation and benefits to lower the risk of losing the talent they need to meet business objectives. In 2022, private industry worker costs rose 5.1% for wages and salaries, and 4.8% for benefits compared to a year earlier.[4]

TOP OPERATIONAL PRIORITIES

1. Retaining talent
2. Growing revenue or sales
3. Attracting talent

TOP HR PRIORITIES

1. Retaining talent
2. Attracting talent
3. Training and developing our people

Base salary and variable pay or bonus programs are still key tools for attracting and retaining employees. Yet few organizations can maintain above-market salaries for very long, especially if they fall short of their retention goals. Research suggests that inadequate pay is just one reason why workers resign. Others include a lack of career development or advancement opportunities, uncaring or uninspiring leaders, limited workplace flexibility and not enough support for employee wellbeing.[5]

Employers tend to plan compensation (64%) and benefits (59%) from year to year. Longer-term strategies prepare employers to address employees' needs more proactively, but use of a mid-range timeline of 1–2 years (21% and 24%) or a horizon of 3 or more years (15% and 18%) is still less common.

Top operational priorities

Category	Base	Attracting talent	Retaining talent	Ensuring employee safety	Improving employee health and wellbeing	Controlling employee benefit costs	Increasing innovation
ALL	3,531	34%	51%	13%	14%	15%	16%
North Central	1,199	36%	54%	13%	15%	17%	16%
Northeast	520	39%	49%	10%	17%	14%	16%
South Central	634	32%	48%	17%	14%	15%	13%
Southeast	542	31%	51%	13%	12%	17%	18%
West	636	31%	51%	14%	14%	13%	17%
For Profit	2,084	30%	47%	15%	9%	11%	15%
Nonprofit	1,384	41%	58%	12%	22%	22%	18%
Under 100 FTEs	1,119	27%	47%	14%	14%	15%	17%
100 to 499 FTEs	1,417	36%	54%	14%	13%	16%	14%
500 to 999 FTEs	381	35%	55%	12%	16%	16%	16%
1,000 or more FTEs	583	42%	49%	14%	18%	16%	19%

Category	Base	Ensuring business continuity	Maintaining profit margins	Maintaining or growing market share	Growing revenue or sales	Maintaining or decreasing overall operating costs	Managing risk and regulatory demands
ALL	3,531	24%	19%	22%	47%	29%	11%
North Central	1,199	23%	18%	22%	44%	31%	9%
Northeast	520	26%	19%	21%	47%	28%	11%
South Central	634	25%	20%	23%	48%	29%	13%
Southeast	542	25%	22%	21%	52%	25%	12%
West	636	24%	18%	21%	50%	30%	13%
For Profit	2,084	22%	25%	27%	62%	27%	9%
Nonprofit	1,384	28%	10%	14%	26%	32%	15%
Under 100 FTEs	1,119	33%	22%	18%	52%	27%	11%
100 to 499 FTEs	1,417	22%	19%	21%	48%	30%	11%
500 to 999 FTEs	381	20%	16%	24%	41%	30%	15%
1,000 or more FTEs	583	16%	15%	27%	40%	32%	10%

Top HR priorities

Category	Base	Attracting talent	Retaining talent	Ensuring employee safety	Improving employee health and wellbeing	Controlling employee benefit costs	Controlling salary and wage costs
ALL	3,537	49%	66%	10%	22%	21%	12%
North Central	1,200	53%	68%	10%	20%	21%	12%
Northeast	525	52%	67%	8%	27%	18%	10%
South Central	633	46%	64%	12%	21%	24%	13%
Southeast	541	48%	70%	10%	20%	23%	10%
West	638	43%	63%	12%	25%	18%	14%
For Profit	2,088	45%	65%	12%	19%	21%	11%
Nonprofit	1,382	55%	69%	7%	26%	21%	13%
Under 100 FTEs	1,116	36%	59%	14%	18%	20%	14%
100 to 499 FTEs	1,419	51%	69%	10%	20%	21%	12%
500 to 999 FTEs	382	61%	72%	8%	28%	20%	13%
1,000 or more FTEs	586	59%	70%	8%	32%	23%	10%

Category	Base	Creating a strong culture	Increasing workforce engagement and productivity	Keeping remote employees connected	Increasing workforce inclusion and diversity	Training and developing our people	Managing risk and regulatory demands
ALL	3,537	33%	27%	5%	13%	35%	5%
North Central	1,200	33%	27%	5%	15%	32%	3%
Northeast	525	31%	27%	6%	17%	30%	5%
South Central	633	34%	30%	3%	10%	37%	5%
Southeast	541	30%	25%	5%	12%	40%	5%
West	638	36%	26%	5%	13%	38%	7%
For Profit	2,088	34%	30%	6%	11%	40%	5%
Nonprofit	1,382	31%	22%	3%	18%	27%	4%
Under 100 FTEs	1,116	41%	30%	8%	9%	42%	6%
100 to 499 FTEs	1,419	33%	26%	4%	13%	36%	4%
500 to 999 FTEs	382	26%	23%	4%	15%	25%	4%
1,000 or more FTEs	586	21%	26%	3%	22%	24%	3%

Compensation planning timeline

Category	Base	Year to year	Cycles of 1–2 years	Multi-year strategy
ALL	3,737	64%	21%	15%
North Central	1,207	63%	21%	16%
Northeast	554	60%	19%	21%
South Central	679	67%	18%	14%
Southeast	558	61%	24%	14%
West	739	67%	21%	12%
For Profit	2,195	69%	19%	12%
Nonprofit	1,461	58%	23%	20%
Under 100 FTEs	1,212	72%	18%	10%
100 to 499 FTEs	1,493	64%	21%	15%
500 to 999 FTEs	392	56%	23%	21%
1,000 or more FTEs	604	52%	24%	24%

Employee benefits planning timeline

Category	Base	Year to year	Cycles of 1–2 years	Multi-year strategy
ALL	3,825	59%	24%	18%
North Central	1,234	59%	24%	17%
Northeast	573	55%	22%	23%
South Central	695	63%	21%	16%
Southeast	566	53%	26%	20%
West	757	62%	24%	15%
For Profit	2,252	60%	23%	17%
Nonprofit	1,481	57%	24%	19%
Under 100 FTEs	1,229	75%	17%	8%
100 to 499 FTEs	1,526	58%	26%	16%
500 to 999 FTEs	404	47%	28%	25%
1,000 or more FTEs	626	37%	28%	36%

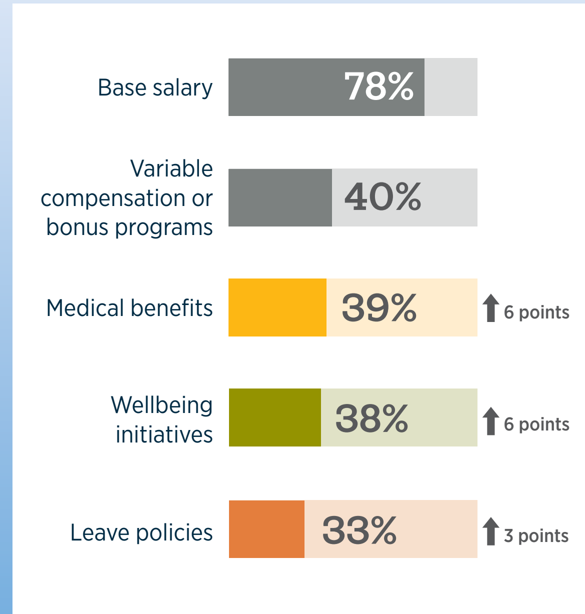
Enhancing total rewards to attract and retain talent

About a third of employers rank a strong culture (33%) or training and development (35%) among their highest HR priorities. Relatedly, their outlook on the importance of four key aspects of employee wellbeing has fluctuated this year. Financial (49%) and career (38%) increased slightly, while emotional (74%) and physical (47%) decreased slightly.

Wellbeing continues to be a key focus of total rewards in 2023, as employers look to invest in benefits and experiences that are likely to create a stronger bond with employees. While base salary (78%) and variable compensation (40%) were among the most enhanced, 38% upgraded their wellbeing initiatives—an increase of 6 points from the year before.

Expansion of medical benefits has also occurred, up 6 points from 2022 to 39%. Other categories enhanced by employers include leaves (33%, up 3 points), voluntary or supplemental (31%, up 6 points), retirement (21%, up 2 points), dental (19%, up 5 points), life insurance (17%, up 4 points) and pharmacy (14%, up 3 points).

TOTAL REWARDS ASPECTS ENHANCED TO MEET RECRUITMENT AND RETENTION OBJECTIVES — 2023 VS. 2022



Dimensions of employee wellbeing that have become more important in 2023

Category	Base	Physical	Financial	Career	Emotional	None
ALL	1,595	47%	49%	38%	74%	10%
North Central	592	48%	47%	37%	74%	10%
Northeast	211	45%	58%	44%	81%	8%
South Central	278	47%	45%	35%	67%	14%
Southeast	261	51%	54%	39%	77%	8%
West	253	45%	43%	38%	75%	12%
For Profit	859	46%	50%	41%	70%	12%
Nonprofit	708	48%	47%	35%	79%	9%
Under 100 FTEs	259	42%	43%	36%	64%	16%
100 to 499 FTEs	654	45%	46%	39%	71%	11%
500 to 999 FTEs	239	48%	46%	37%	76%	8%
1,000 or more FTEs	427	53%	58%	38%	83%	7%

Total rewards aspects enhanced to meet recruitment and retention objectives

Category	Base	Base salary	Variable compensation or bonus programs	Medical benefits	Pharmacy benefits	Dental benefits
ALL	3,336	78%	40%	39%	14%	19%
North Central	1,152	83%	37%	36%	12%	16%
Northeast	487	68%	39%	42%	20%	24%
South Central	597	78%	43%	41%	14%	19%
Southeast	509	74%	42%	40%	15%	20%
West	591	78%	42%	40%	12%	23%
For Profit	1,974	75%	47%	40%	12%	18%
Nonprofit	1,299	81%	31%	38%	17%	21%
Under 100 FTEs	1,044	79%	39%	41%	12%	22%
100 to 499 FTEs	1,348	79%	39%	39%	13%	20%
500 to 999 FTEs	358	78%	39%	37%	19%	15%
1,000 or more FTEs	555	71%	45%	37%	18%	15%

Category	Base	Wellbeing initiatives	Voluntary or supplemental benefits	Life insurance	Leave policies	Retirement offerings
ALL	3,336	38%	31%	17%	33%	21%
North Central	1,152	35%	30%	16%	32%	21%
Northeast	487	45%	31%	15%	32%	20%
South Central	597	34%	32%	18%	32%	23%
Southeast	509	41%	29%	17%	37%	22%
West	591	37%	33%	20%	35%	20%
For Profit	1,974	34%	32%	17%	35%	21%
Nonprofit	1,299	43%	29%	16%	31%	22%
Under 100 FTEs	1,044	25%	28%	21%	32%	25%
100 to 499 FTEs	1,348	39%	33%	17%	33%	20%
500 to 999 FTEs	358	49%	32%	13%	34%	17%
1,000 or more FTEs	555	52%	31%	12%	36%	21%

DIVERSITY, EQUITY & INCLUSION

Aligning DEI and work culture initiatives

Demonstrating integrity through genuine, consistent and sustained efforts toward culture change is critical to an optimal employee experience. In support of this goal, most DEI initiatives are designed to align with the core values of the organization (41%). From day one, proactively assessing and addressing the strength of cultural attributes—how consistently they encourage the expression of diversity and equitably support growth opportunities—can directly affect retention. Policies that establish and promote DEI and initiatives that correct imbalances are likely to coincide with a lasting competitive advantage.

Recruiting conversations and onboarding interactions set employees' expectations for their day-to-day work experience. Although just 19% of employers consider talent attraction and retention the core purpose of DEI initiatives, recruitment is the function or business concern most likely to integrate these policies and practices (80%).

At more than half of organizations (52%), HR owns the responsibility for management and oversight of DEI initiatives. Setting intentions falls under the direction of senior leadership or the C-suite at nearly a quarter (24%). And going further, 41% incorporate accountability as a marker of leadership success.

When leaders' behaviors and communication styles show that diversity, empathy and resilience are top priorities, they invite organizational transformation and advance goals for attraction and retention. Employee communications more often include content about DEI (54%) than talent analytics and engagement (37%). Key elements of talent management and total rewards also incorporate DEI, including succession planning (30%), benefits (29%), compensation (28%) and performance management (22%).

TECHNOLOGY & INNOVATION INSIGHT

Technology helps employers identify DEI baselines and compare benchmarks to support evaluation. **Dashboards** provide a line of sight into metrics for job qualifications, pay equity, gender bias and promotions. They can also calculate an inclusion score. Internal data is most useful when system capabilities also allow external benchmarking for broader comparisons and richer insights. Leadership interpretation and evaluation is also required to define appropriate and equitable guidelines, or corrective actions, based on organizational values.

A climate of psychological safety encourages employees to offer different perspectives. For instance, they may feel bolder about presenting a counterview to leaders and others who don't share their background or subscribe to the same cultural codes. Employees who feel their ideas won't be equally considered or valued by their peers are unlikely to invest time and energy in seeking managerial positions. Instead, they often leave the organization for better opportunities, and the fallout registers as increasing turnover and declining diversity.

DEI-related training programs commonly center on non-discrimination and regulatory compliance (64%), embracing differences in the workplace (48%), and overcoming unconscious bias (45%). Other educational opportunities focus on effectively managing diverse groups of people (29%) and embedding inclusive behaviors into every role (21%). Pull-through of training on the benefits of diverse representation, for managers and staff, is essential for psychological safety initiatives to succeed. The payoff can be substantial. Inclusive practices help to reduce turnover, and enhance job performance and work quality while increasing morale, innovation, employee satisfaction and engagement.

TYPES OF DEI-RELATED TRAINING OFFERED

Key purpose of the current DEI initiatives or strategy

Category	Base	Comply with affirmative action or other legal requirements	Attract and retain talent	Respond to customer or stakeholder expectations	Enhance overall external reputation	Align with the core values of the organization	Not applicable
ALL	3,362	17%	19%	2%	2%	41%	19%
North Central	1,178	19%	18%	2%	2%	41%	18%
Northeast	489	14%	19%	2%	1%	41%	22%
South Central	607	15%	20%	2%	2%	40%	21%
Southeast	507	18%	18%	2%	1%	41%	20%
West	581	18%	18%	2%	3%	42%	17%
For Profit	1,965	19%	20%	2%	2%	37%	21%
Nonprofit	1,329	15%	17%	2%	2%	48%	17%
Under 100 FTEs	1,068	17%	18%	2%	2%	34%	27%
100 to 499 FTEs	1,352	19%	19%	2%	2%	39%	19%
500 to 999 FTEs	357	19%	17%	2%	2%	46%	14%
1,000 or more FTEs	554	12%	20%	3%	2%	56%	7%

Areas of the organization that have integrated DEI standards

Category	Base	Talent analytics and engagement	Recruitment	Performance management	Career and succession planning
ALL	2,224	37%	80%	22%	30%
North Central	783	41%	79%	22%	30%
Northeast	324	40%	85%	27%	32%
South Central	387	32%	75%	25%	29%
Southeast	335	38%	76%	17%	32%
West	395	33%	84%	22%	29%
For Profit	1,273	36%	80%	21%	32%
Nonprofit	909	39%	80%	24%	28%
Under 100 FTEs	611	27%	74%	24%	24%
100 to 499 FTEs	897	33%	80%	21%	28%
500 to 999 FTEs	259	41%	81%	20%	35%
1,000 or more FTEs	439	59%	84%	25%	41%

Category	Base	Communication	Compensation	Benefits	Leadership accountability
ALL	2,224	54%	28%	29%	41%
North Central	783	54%	26%	26%	39%
Northeast	324	58%	34%	39%	43%
South Central	387	53%	30%	34%	42%
Southeast	335	49%	24%	23%	41%
West	395	55%	30%	30%	43%
For Profit	1,273	52%	29%	31%	38%
Nonprofit	909	56%	27%	27%	45%
Under 100 FTEs	611	50%	31%	27%	37%
100 to 499 FTEs	897	53%	27%	25%	37%
500 to 999 FTEs	259	52%	23%	31%	44%
1,000 or more FTEs	439	62%	32%	43%	51%

Functional area or entity primarily responsible for management and oversight of DEI initiatives

Category	Base	Dedicated DEI resource	Legal or compliance	HR	Senior leadership or the C-suite	Board of directors	Other
ALL	2,669	15%	2%	52%	24%	2%	6%
North Central	953	16%	2%	50%	22%	3%	8%
Northeast	374	18%	1%	51%	23%	1%	6%
South Central	472	11%	3%	53%	27%	1%	5%
Southeast	394	16%	2%	56%	22%	2%	4%
West	476	13%	1%	50%	28%	1%	7%
For Profit	1,533	12%	2%	60%	20%	1%	5%
Nonprofit	1,085	17%	2%	40%	30%	2%	8%
Under 100 FTEs	771	3%	2%	47%	36%	4%	9%
100 to 499 FTEs	1,070	10%	2%	59%	23%	1%	5%
500 to 999 FTEs	301	21%	1%	53%	18%	1%	5%
1,000 or more FTEs	504	38%	1%	42%	14%	0%	4%

Focus of DEI training programs

Category	Base	Complying with non-discrimination and regulatory requirements	Embracing differences in the workplace	Overcoming unconscious bias	Embedding inclusive behaviors into every role	Managing diverse groups of people	Other	Not applicable
ALL	2,545	64%	48%	45%	21%	29%	12%	15%
North Central	908	62%	48%	46%	21%	27%	11%	17%
Northeast	359	67%	50%	53%	23%	31%	13%	11%
South Central	453	65%	47%	40%	21%	34%	11%	15%
Southeast	372	64%	49%	44%	17%	30%	11%	15%
West	453	67%	47%	43%	21%	28%	13%	14%
For Profit	1,463	65%	44%	40%	18%	27%	11%	17%
Nonprofit	1,036	64%	55%	53%	24%	33%	13%	12%
Under 100 FTEs	739	54%	39%	34%	17%	22%	10%	23%
100 to 499 FTEs	1,024	67%	47%	44%	17%	26%	13%	14%
500 to 999 FTEs	285	72%	56%	55%	22%	35%	11%	10%
1,000 or more FTEs	476	71%	61%	60%	33%	43%	12%	9%

Top challenges to DEI initiatives

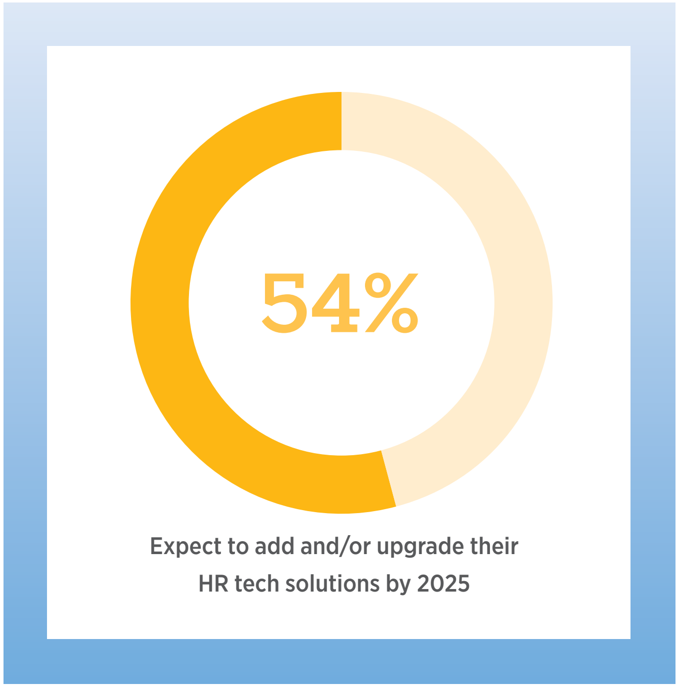
Category	Base	Funding and/or other resources	Lack of leadership support	Lack of employee interest and engagement	Integration with current business priorities
ALL	2,360	33%	10%	29%	30%
North Central	839	31%	9%	31%	28%
Northeast	336	38%	6%	29%	34%
South Central	420	33%	10%	33%	30%
Southeast	338	31%	8%	25%	33%
West	427	34%	14%	26%	29%
For Profit	1,367	28%	11%	28%	33%
Nonprofit	957	40%	7%	30%	26%
Under 100 FTEs	700	35%	10%	26%	26%
100 to 499 FTEs	954	33%	10%	31%	29%
500 to 999 FTEs	265	36%	9%	34%	31%
1,000 or more FTEs	421	29%	8%	28%	37%

Category	Base	Lack of data and reporting to quantify the impact	Lack of internal staff to support program efforts	Other
ALL	2,360	34%	38%	23%
North Central	839	33%	39%	24%
Northeast	336	43%	40%	20%
South Central	420	36%	35%	22%
Southeast	338	33%	36%	21%
West	427	29%	37%	27%
For Profit	1,367	34%	37%	24%
Nonprofit	957	34%	38%	22%
Under 100 FTEs	700	26%	34%	27%
100 to 499 FTEs	954	33%	39%	23%
500 to 999 FTEs	265	40%	37%	17%
1,000 or more FTEs	421	46%	39%	20%

HR TECHNOLOGY

Optimizing work with HR technology advancements

Extensive growth of digital infrastructure, and the demand for systems that facilitate employee connections, optimize both sides of the HR technology experience. By 2025, more than half of employers (54%) plan to either upgrade their tech (16%), add new solutions (14%) or make both enhancements (24%).



Most either have multiple HR tech strategies (39%) or one that supports the people strategy (25%). At opposite ends of the scale, the rest either don't have any (20%) or rely on a comprehensive strategy that's aligned with organizational strategies (16%).

The prevailing rationale for investing in HR solutions is to increase efficiency through process automation (89%). Other motives include complying with regulations (49%), supporting the people strategy (48%), meeting employee expectations (46%), managing and investing in employees more strategically (41%), meeting leadership expectations (38%), and increasing employee productivity (35%).

Optimizing HR tech makes the most of these significant investments. About 3 in 4 employers (74%) take one or more approaches, including regular assessments of how well solutions are meeting their needs (56%) and staying current on market trends (43%). Less often, they apply formal processes such as overseeing vendor relationships (14%), establishing an internal committee that governs the HR technology strategy (11%), and monitoring and completing new software releases (10%). The remaining 1 in 4 (26%) don't take any steps to optimize outcomes.

TECHNOLOGY & INNOVATION INSIGHT

Automation will have a phenomenal effect on the future of work. Right now, many employers tend to approach HR technology either as a necessary overhead cost or an investment in enhanced productivity. But automation will continue to free up mind space for reasoning, innovation and other highly valuable human capabilities. Activities like time off requests, which can operate in the background, are just one of the tasks targeted for takeover by **hyperautomation**.

Expected changes to HR technology solutions by 2025

Category	Base	Upgrade existing solutions	Add new solutions	Both	Neither
ALL	3,324	16%	14%	24%	45%
North Central	1,175	16%	16%	21%	47%
Northeast	477	16%	13%	32%	39%
South Central	605	17%	13%	23%	46%
Southeast	481	16%	14%	24%	46%
West	586	17%	15%	22%	46%
For Profit	1,956	16%	15%	23%	46%
Nonprofit	1,302	17%	14%	24%	44%
Under 100 FTEs	1,063	12%	12%	20%	56%
100 to 499 FTEs	1,323	17%	17%	24%	41%
500 to 999 FTEs	357	20%	15%	25%	41%
1,000 or more FTEs	552	21%	13%	29%	37%

Strategic approach to HR technology

Category	Base	Don't have an HR technology strategy	Have some HR technology strategies	Have an HR technology strategy that supports the people strategy	Have a comprehensive HR technology strategy that aligns with organizational strategies
ALL	3,780	20%	39%	25%	16%
North Central	1,224	23%	39%	23%	15%
Northeast	568	17%	43%	26%	14%
South Central	680	21%	37%	23%	19%
Southeast	560	16%	37%	28%	19%
West	748	20%	37%	30%	13%
For Profit	2,236	18%	37%	28%	17%
Nonprofit	1,471	22%	41%	22%	15%
Under 100 FTEs	1,224	35%	37%	19%	9%
100 to 499 FTEs	1,503	15%	42%	27%	16%
500 to 999 FTEs	398	14%	38%	29%	20%
1,000 or more FTEs	620	7%	34%	33%	26%

Top reasons for investing in HR technology

Category	Base	Meet employee expectations	Meet leadership expectations	Automate processes to increase HR efficiency	Increase employee productivity	Comply with regulations
ALL	2,619	46%	38%	89%	35%	49%
North Central	898	50%	37%	90%	34%	48%
Northeast	372	44%	38%	89%	31%	45%
South Central	471	45%	40%	86%	39%	50%
Southeast	401	46%	40%	91%	34%	52%
West	477	41%	37%	88%	35%	52%
For Profit	1,564	45%	37%	89%	35%	49%
Nonprofit	1,008	47%	39%	89%	36%	50%
Under 100 FTEs	670	41%	32%	81%	28%	49%
100 to 499 FTEs	1,112	46%	37%	91%	35%	49%
500 to 999 FTEs	303	47%	41%	91%	36%	50%
1,000 or more FTEs	509	49%	45%	93%	43%	49%

Category	Base	Gain a competitive advantage in attracting and retaining talent	Improve organizational wellbeing	Manage and invest in employees more strategically	Support the organization's people strategy
ALL	2,619	31%	32%	41%	48%
North Central	898	32%	35%	43%	48%
Northeast	372	29%	27%	35%	46%
South Central	471	33%	34%	43%	51%
Southeast	401	30%	27%	43%	48%
West	477	26%	36%	39%	47%
For Profit	1,564	30%	33%	43%	51%
Nonprofit	1,008	32%	32%	39%	44%
Under 100 FTEs	670	24%	36%	40%	40%
100 to 499 FTEs	1,112	31%	31%	40%	48%
500 to 999 FTEs	303	33%	31%	44%	51%
1,000 or more FTEs	509	35%	31%	42%	58%

Actions taken to optimize the organization's HR technology investment

Category	Base	Regularly evaluate the ability of HR technology solutions to meet current needs	Formally govern HR technology vendor relationships	Stay current on HR technology market trends
ALL	2,557	56%	14%	43%
North Central	886	57%	13%	43%
Northeast	350	55%	15%	44%
South Central	467	57%	13%	42%
Southeast	391	57%	16%	44%
West	463	50%	14%	41%
For Profit	1,539	57%	14%	45%
Nonprofit	975	54%	14%	40%
Under 100 FTEs	665	48%	8%	39%
100 to 499 FTEs	1,084	56%	13%	45%
500 to 999 FTEs	296	59%	18%	46%
1,000 or more FTEs	491	63%	21%	41%

Category	Base	Have an internal governance committee that periodically reviews the HR technology strategy	Apply a formal process to successfully complete and monitor software releases	Don't currently have a process for optimization
ALL	2,557	11%	10%	26%
North Central	886	12%	10%	26%
Northeast	350	13%	8%	23%
South Central	467	9%	10%	25%
Southeast	391	14%	12%	23%
West	463	10%	10%	29%
For Profit	1,539	11%	8%	25%
Nonprofit	975	13%	13%	26%
Under 100 FTEs	665	8%	4%	36%
100 to 499 FTEs	1,084	8%	7%	24%
500 to 999 FTEs	296	13%	13%	22%
1,000 or more FTEs	491	22%	23%	17%

HEALTHCARE COSTS & CONTROLS

Managing rising healthcare premiums and employer spending

Rising wages, labor shortages and consolidation in the healthcare sector are inflating the price of medical services. While delivery system deficits raise costs in real time, actual price increases typically lag. Now, the trends rippling through the carrier base are starting to affect employer-sponsored healthcare, showing up as increased health plan premiums. The median at the most recent renewal was 5%–5.9%, up from 4%–4.9% last year. While inflation rates may normalize overall, waves of higher inflation that drive pass-through costs could still roll through when contracts are renewed.

MEDIAN HEALTH PLAN PREMIUM INCREASE AT THE MOST RECENT RENEWAL

2023	5%–5.9%
2022	4%–4.9%

Looking at average annual dollars spent on benefits per eligible employee in 2023, the midpoint remains at $10,000–$10,999—about half of employers spent more and about half spent less. There's a similar outlay for roughly 1 in 5 at each end of the cost scale, including less than $6,000 per employee (26%) and $19,000 or more (21%).

The median spend on benefits is still 20%–21.9% of total compensation. More than 1 in 5 employers (21%) allocate 34% or more, including 5% within the range of 34%–39.9% and 16% within the range of 40% and above. This leaves about 4 in 5 (79%) that designate 33.9% or less. Compared to 2021, more than 2 in 5 (43%) maintained their spending level in 2023—but benefit costs as a percentage of total compensation increased for 42% and decreased for just 3%.

Median compensation and benefits spending as a percentage of total operating revenue is 25%–29.9%. For most employers (57%), compensation and benefit costs continue to comprise less than 35% of total operating revenue. The range is 35%–49.9% for 15%, and scaling up from there, another 20% invest 50%–74.9% while 7% allocate three-quarters or more.

2023 MEDIAN COMPENSATION AND BENEFIT COSTS

$10,000–$10,999	Annual dollars spent on paid benefits per eligible employee
20%–21.9%	Benefits as a percentage of total compensation
25%–29.9%	Compensation and benefits as a percentage of total operating revenue

Controlling employee benefit costs is among the top operational priorities for 15% of employers and the top HR priorities for 21%. However, its importance is likely to increase along with cost trends. Nearly 4 in 5 employers believe that a moderate (68%) or significant (10%) rise in healthcare costs is likely this year, up 3 points from 2022 and 6 points from 2021. Only 11% expect spending to stay about the same, and even fewer foresee a moderate (5%) or significant (1%) decline.

A recent actuarial consensus forecasts cost trends of 5.7%–7.1% for medical and 8.2%–10% for pharmacy, depending on the level of plan member cost sharing. Combined medical and pharmacy projections are 6.3%–7.9% in 2023, up from 5.5%–6.9% last year. Dental and vision annual trends are projected at 4% each.[6]

The two most common and vexing healthcare expense issues are holding firm, familiar to many as the high costs of medical services (66%) and specialty drugs (41%). A maneuver that's increasingly used as specialty prices continue to climb is adding cost-containment measures to the prescription drug plan, such as formulary exclusions and mandatory generics (25%, up 3 points from 2022). Comparatively, the high cost of non-specialty prescription drugs (31%) is a lesser concern.

Unhealthy covered populations rank third (33%). They often include employees and dependents whose lifestyle habits pose a risk to their health, in addition to those with chronic conditions. To a lesser extent, a lack of data to help identify constructive benefit changes was the key challenge of cost management (22%). Other employers are most concerned about the need for high-cost benefit plans to attract and retain top talent (19%). More difficult to control are decisions made by employees to dismiss the most cost-effective healthcare options (19%).

TOP HEALTHCARE COST-MANAGEMENT CHALLENGES

1. High cost of medical services
2. High cost of specialty drugs
3. Unhealthy covered population (employees and dependents)

Increase in the health plan premium at the most recent renewal (final)

Category	Base	Decreased	0%–0.9%	1%–1.9%	2%–2.9%	3%–3.9%	4%–4.9%
ALL	3,372	7%	14%	4%	6%	8%	8%
North Central	1,117	8%	14%	3%	5%	9%	7%
Northeast	474	7%	11%	4%	7%	8%	8%
South Central	604	9%	18%	4%	6%	8%	7%
Southeast	513	7%	15%	5%	5%	8%	8%
West	664	6%	11%	5%	6%	8%	9%
For Profit	1,996	8%	13%	4%	5%	10%	8%
Nonprofit	1,271	7%	15%	4%	7%	7%	8%
Under 100 FTEs	1,043	10%	10%	4%	3%	8%	8%
100 to 499 FTEs	1,361	8%	15%	4%	7%	6%	7%
500 to 999 FTEs	359	4%	13%	5%	7%	10%	7%
1,000 or more FTEs	559	4%	16%	4%	8%	13%	9%

Category	Base	5%–5.9%	6%–6.9%	7%–7.9%	8%–8.9%	9%–9.9%	10%–10.9%
ALL	3,372	9%	6%	6%	6%	5%	6%
North Central	1,117	9%	6%	6%	6%	5%	5%
Northeast	474	10%	7%	5%	5%	5%	7%
South Central	604	8%	5%	5%	5%	4%	6%
Southeast	513	9%	4%	7%	5%	3%	7%
West	664	11%	6%	7%	6%	7%	5%
For Profit	1,996	9%	6%	6%	5%	5%	6%
Nonprofit	1,271	10%	5%	6%	6%	6%	6%
Under 100 FTEs	1,043	9%	5%	7%	7%	5%	6%
100 to 499 FTEs	1,361	9%	6%	6%	5%	5%	5%
500 to 999 FTEs	359	11%	6%	3%	6%	5%	8%
1,000 or more FTEs	559	11%	6%	7%	5%	5%	6%

Category	Base	11%–11.9%	12%–12.9%	13%–13.9%	14%–14.9%	15% or more
ALL	3,372	2%	3%	1%	2%	7%
North Central	1,117	2%	2%	2%	2%	8%
Northeast	474	2%	3%	1%	1%	7%
South Central	604	2%	3%	1%	2%	7%
Southeast	513	1%	2%	2%	1%	10%
West	664	2%	3%	1%	2%	5%
For Profit	1,996	2%	3%	1%	2%	8%
Nonprofit	1,271	3%	2%	1%	2%	6%
Under 100 FTEs	1,043	2%	3%	2%	2%	9%
100 to 499 FTEs	1,361	2%	3%	1%	1%	9%
500 to 999 FTEs	359	3%	2%	2%	3%	6%
1,000 or more FTEs	559	1%	1%	0%	2%	4%

Average annual cost of employer-paid benefits per eligible employee

Category	Base	Less than $5,000	$5,000–$5,999	$6,000–$6,999	$7,000–$7,999	$8,000–$8,999	$9,000–$9,999
ALL	2,967	13%	7%	6%	6%	6%	5%
North Central	1,004	11%	7%	5%	5%	5%	5%
Northeast	374	7%	6%	6%	3%	7%	4%
South Central	567	17%	9%	7%	5%	7%	5%
Southeast	422	16%	8%	6%	8%	6%	5%
West	600	15%	7%	6%	7%	6%	7%
For Profit	1,737	16%	9%	6%	7%	6%	5%
Nonprofit	1,185	10%	5%	5%	5%	6%	5%
Under 100 FTEs	1,038	20%	9%	7%	8%	5%	5%
100 to 499 FTEs	1,154	11%	8%	4%	5%	6%	6%
500 to 999 FTEs	298	7%	4%	6%	6%	6%	5%
1,000 or more FTEs	460	7%	4%	6%	4%	5%	6%

Category	Base	$10,000–$10,999	$11,000–$11,999	$12,000–$12,999	$13,000–$13,999	$14,000–$14,999	$15,000–$16,999
ALL	2,967	9%	4%	5%	4%	3%	7%
North Central	1,004	10%	4%	5%	4%	3%	9%
Northeast	374	7%	5%	5%	3%	5%	8%
South Central	567	8%	4%	5%	4%	3%	5%
Southeast	422	9%	4%	4%	3%	4%	7%
West	600	8%	5%	4%	4%	2%	6%
For Profit	1,737	8%	4%	5%	4%	3%	7%
Nonprofit	1,185	9%	4%	5%	4%	3%	7%
Under 100 FTEs	1,038	8%	3%	4%	2%	3%	5%
100 to 499 FTEs	1,154	8%	5%	5%	4%	3%	7%
500 to 999 FTEs	298	10%	4%	5%	5%	4%	9%
1,000 or more FTEs	460	12%	5%	5%	5%	5%	9%

Average annual cost of employer-paid benefits per eligible employee (cont.)

Category	Base	$17,000–$18,999	$19,000–$20,999	$21,000–$22,999	$23,000–$24,999	$25,000 or more
ALL	2,967	4%	5%	3%	2%	11%
North Central	1,004	6%	5%	3%	2%	10%
Northeast	374	5%	8%	4%	3%	14%
South Central	567	2%	4%	2%	1%	11%
Southeast	422	3%	4%	2%	2%	9%
West	600	5%	3%	3%	2%	12%
For Profit	1,737	3%	4%	2%	2%	9%
Nonprofit	1,185	6%	6%	4%	3%	14%
Under 100 FTEs	1,038	3%	4%	3%	2%	10%
100 to 499 FTEs	1,154	4%	5%	3%	2%	12%
500 to 999 FTEs	298	5%	5%	2%	3%	12%
1,000 or more FTEs	460	7%	5%	4%	3%	8%

Total cost of employer-paid benefits as a percentage of total compensation and benefits

Category	Base	Less than 5%	5%–9.9%	10%–11.9%	12%–13.9%	14%–15.9%	16%–17.9%	18%–19.9%	20%–21.9%
ALL	2,538	6%	13%	8%	6%	7%	4%	4%	8%
North Central	865	5%	11%	8%	5%	7%	5%	5%	9%
Northeast	320	5%	16%	7%	7%	7%	5%	4%	6%
South Central	479	8%	15%	10%	6%	8%	3%	4%	8%
Southeast	347	6%	10%	10%	5%	8%	3%	3%	10%
West	527	6%	15%	9%	6%	6%	4%	5%	6%
For Profit	1,431	8%	17%	11%	7%	8%	4%	4%	8%
Nonprofit	1,071	4%	8%	6%	5%	6%	5%	5%	8%
Under 100 FTEs	916	12%	16%	9%	8%	7%	4%	4%	6%
100 to 499 FTEs	969	3%	12%	8%	5%	8%	4%	6%	9%
500 to 999 FTEs	262	2%	12%	9%	5%	5%	3%	3%	8%
1,000 or more FTEs	376	2%	10%	9%	3%	7%	6%	3%	9%

Total cost of employer-paid benefits as a percentage of total compensation and benefits (cont.)

Category	Base	22%–23.9%	24%–25.9%	26%–27.9%	28%–29.9%	30%–31.9%	32%–33.9%	34%–35.9%	36%–37.9%
ALL	2,538	4%	7%	3%	3%	5%	2%	3%	1%
North Central	865	4%	8%	3%	2%	5%	2%	3%	1%
Northeast	320	5%	7%	3%	3%	6%	1%	2%	1%
South Central	479	5%	7%	2%	3%	3%	1%	3%	1%
Southeast	347	4%	7%	3%	2%	5%	2%	3%	1%
West	527	4%	4%	2%	3%	4%	2%	2%	1%
For Profit	1,431	3%	6%	2%	2%	4%	1%	3%	1%
Nonprofit	1,071	6%	9%	4%	4%	6%	2%	2%	1%
Under 100 FTEs	916	3%	5%	2%	2%	3%	2%	2%	1%
100 to 499 FTEs	969	5%	7%	2%	3%	5%	2%	3%	1%
500 to 999 FTEs	262	4%	11%	5%	3%	7%	1%	5%	2%
1,000 or more FTEs	376	6%	8%	5%	5%	6%	3%	3%	2%

Category	Base	38%–39.9%	40%–41.9%	42%–43.9%	44%–45.9%	46%–47.9%	48%–49.9%	50% or more
ALL	2,538	1%	3%	0%	1%	0%	1%	11%
North Central	865	1%	3%	0%	1%	0%	1%	11%
Northeast	320	1%	3%	1%	1%	1%	1%	7%
South Central	479	1%	2%	0%	0%	1%	0%	9%
Southeast	347	0%	2%	0%	1%	1%	1%	13%
West	527	1%	2%	0%	1%	1%	1%	15%
For Profit	1,431	1%	2%	0%	0%	0%	0%	11%
Nonprofit	1,071	1%	3%	0%	1%	1%	1%	12%
Under 100 FTEs	916	1%	2%	0%	0%	0%	1%	14%
100 to 499 FTEs	969	1%	4%	0%	1%	0%	1%	11%
500 to 999 FTEs	262	2%	2%	0%	0%	1%	0%	9%
1,000 or more FTEs	376	1%	3%	1%	1%	1%	0%	7%

Change in the total cost of employer-paid benefits since 2021 as a percentage of total compensation and benefits

Category	Base	Decreased	Stayed about the same	Increased	Don't know
ALL	3,535	3%	43%	42%	12%
North Central	1,144	3%	44%	43%	10%
Northeast	519	3%	42%	37%	18%
South Central	638	4%	43%	42%	11%
Southeast	528	2%	47%	41%	10%
West	706	4%	39%	47%	11%
For Profit	2,084	3%	42%	42%	12%
Nonprofit	1,388	3%	44%	43%	11%
Under 100 FTEs	1,170	3%	41%	46%	10%
100 to 499 FTEs	1,398	3%	41%	43%	13%
500 to 999 FTEs	364	3%	49%	39%	9%
1,000 or more FTEs	574	3%	49%	37%	11%

Total cost of compensation and benefits as a percentage of total operating revenue

Category	Base	Less than 5%	5%–9.9%	10%–14.9%	15%–19.9%	20%–24.9%	25%–29.9%	30%–34.9%	35%–39.9%	40%–44.9%
ALL	2,582	7%	10%	8%	7%	10%	8%	7%	5%	5%
North Central	857	5%	10%	7%	7%	11%	7%	6%	5%	4%
Northeast	328	7%	10%	8%	8%	10%	8%	9%	6%	5%
South Central	501	8%	13%	9%	8%	9%	8%	8%	7%	5%
Southeast	348	7%	11%	10%	6%	10%	12%	7%	5%	6%
West	548	8%	9%	9%	8%	9%	9%	7%	4%	5%
For Profit	1,455	9%	13%	11%	10%	11%	10%	7%	6%	4%
Nonprofit	1,087	4%	7%	5%	4%	8%	7%	7%	5%	6%
Under 100 FTEs	937	10%	13%	9%	8%	10%	6%	5%	5%	4%
100 to 499 FTEs	992	5%	9%	9%	7%	10%	9%	8%	5%	5%
500 to 999 FTEs	256	5%	9%	7%	8%	9%	11%	7%	7%	5%
1,000 or more FTEs	381	5%	7%	6%	7%	10%	12%	10%	7%	6%

Category	Base	45%–49.9%	50%–54.9%	55%–59.9%	60%–64.9%	65%–69.9%	70%–74.9%	75%–79.9%	80% or more
ALL	2,582	5%	5%	4%	4%	3%	4%	3%	4%
North Central	857	6%	5%	4%	4%	5%	4%	4%	5%
Northeast	328	4%	4%	3%	5%	2%	5%	3%	5%
South Central	501	4%	5%	5%	4%	3%	3%	1%	2%
Southeast	348	5%	7%	3%	2%	3%	2%	1%	3%
West	548	3%	6%	5%	5%	3%	3%	3%	3%
For Profit	1,455	3%	4%	2%	3%	2%	2%	1%	2%
Nonprofit	1,087	7%	8%	7%	6%	5%	6%	5%	5%
Under 100 FTEs	937	4%	4%	3%	4%	3%	5%	2%	3%
100 to 499 FTEs	992	5%	6%	4%	4%	3%	3%	5%	4%
500 to 999 FTEs	256	5%	5%	5%	5%	4%	2%	2%	3%
1,000 or more FTEs	381	4%	9%	3%	3%	2%	3%	1%	4%

Top operational priorities

Category	Base	Attracting talent	Retaining talent	Ensuring employee safety	Improving employee health and wellbeing	Controlling employee benefit costs	Increasing innovation
ALL	3,531	34%	51%	13%	14%	15%	16%
North Central	1,199	36%	54%	13%	15%	17%	16%
Northeast	520	39%	49%	10%	17%	14%	16%
South Central	634	32%	48%	17%	14%	15%	13%
Southeast	542	31%	51%	13%	12%	17%	18%
West	636	31%	51%	14%	14%	13%	17%
For Profit	2,084	30%	47%	15%	9%	11%	15%
Nonprofit	1,384	41%	58%	12%	22%	22%	18%
Under 100 FTEs	1,119	27%	47%	14%	14%	15%	17%
100 to 499 FTEs	1,417	36%	54%	14%	13%	16%	14%
500 to 999 FTEs	381	35%	55%	12%	16%	16%	16%
1,000 or more FTEs	583	42%	49%	14%	18%	16%	19%

Category	Base	Ensuring business continuity	Maintaining profit margins	Maintaining or growing market share	Growing revenue or sales	Maintaining or decreasing overall operating costs	Managing risk and regulatory demands
ALL	3,531	24%	19%	22%	47%	29%	11%
North Central	1,199	23%	18%	22%	44%	31%	9%
Northeast	520	26%	19%	21%	47%	28%	11%
South Central	634	25%	20%	23%	48%	29%	13%
Southeast	542	25%	22%	21%	52%	25%	12%
West	636	24%	18%	21%	50%	30%	13%
For Profit	2,084	22%	25%	27%	62%	27%	9%
Nonprofit	1,384	28%	10%	14%	26%	32%	15%
Under 100 FTEs	1,119	33%	22%	18%	52%	27%	11%
100 to 499 FTEs	1,417	22%	19%	21%	48%	30%	11%
500 to 999 FTEs	381	20%	16%	24%	41%	30%	15%
1,000 or more FTEs	583	16%	15%	27%	40%	32%	10%

Top HR priorities

Category	Base	Attracting talent	Retaining talent	Ensuring employee safety	Improving employee health and wellbeing	Controlling employee benefit costs	Controlling salary and wage costs
ALL	3,537	49%	66%	10%	22%	21%	12%
North Central	1,200	53%	68%	10%	20%	21%	12%
Northeast	525	52%	67%	8%	27%	18%	10%
South Central	633	46%	64%	12%	21%	24%	13%
Southeast	541	48%	70%	10%	20%	23%	10%
West	638	43%	63%	12%	25%	18%	14%
For Profit	2,088	45%	65%	12%	19%	21%	11%
Nonprofit	1,382	55%	69%	7%	26%	21%	13%
Under 100 FTEs	1,116	36%	59%	14%	18%	20%	14%
100 to 499 FTEs	1,419	51%	69%	10%	20%	21%	12%
500 to 999 FTEs	382	61%	72%	8%	28%	20%	13%
1,000 or more FTEs	586	59%	70%	8%	32%	23%	10%

Category	Base	Creating a strong culture	Increasing workforce engagement and productivity	Keeping remote employees connected	Increasing workforce inclusion and diversity	Training and developing our people	Managing risk and regulatory demands
ALL	3,537	33%	27%	5%	13%	35%	5%
North Central	1,200	33%	27%	5%	15%	32%	3%
Northeast	525	31%	27%	6%	17%	30%	5%
South Central	633	34%	30%	3%	10%	37%	5%
Southeast	541	30%	25%	5%	12%	40%	5%
West	638	36%	26%	5%	13%	38%	7%
For Profit	2,088	34%	30%	6%	11%	40%	5%
Nonprofit	1,382	31%	22%	3%	18%	27%	4%
Under 100 FTEs	1,116	41%	30%	8%	9%	42%	6%
100 to 499 FTEs	1,419	33%	26%	4%	13%	36%	4%
500 to 999 FTEs	382	26%	23%	4%	15%	25%	4%
1,000 or more FTEs	586	21%	26%	3%	22%	24%	3%

Expected difference in healthcare costs for 2023 compared to 2022

Category	Base	Significantly higher	Somewhat higher	No difference	Somewhat lower	Significantly lower	Don't know
ALL	3,716	10%	68%	11%	5%	1%	5%
North Central	1,218	10%	69%	11%	5%	0%	4%
Northeast	541	11%	64%	14%	6%	1%	4%
South Central	667	12%	67%	11%	5%	0%	6%
Southeast	550	8%	69%	12%	5%	1%	5%
West	740	9%	71%	9%	5%	1%	6%
For Profit	2,184	10%	70%	10%	6%	1%	5%
Nonprofit	1,449	10%	67%	13%	4%	0%	5%
Under 100 FTEs	1,199	12%	69%	8%	5%	1%	6%
100 to 499 FTEs	1,477	10%	66%	13%	6%	0%	5%
500 to 999 FTEs	392	9%	69%	13%	5%	0%	5%
1,000 or more FTEs	613	7%	75%	11%	5%	0%	3%

Top healthcare cost-management challenges

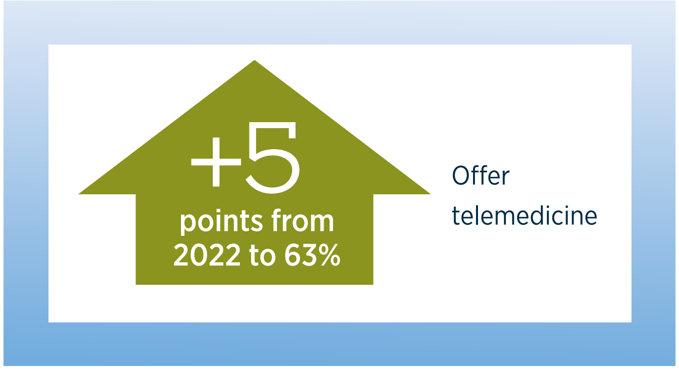
Category	Base	Unhealthy covered population (employees and dependents)	High cost of medical services	High cost of prescription drugs (non-specialty)	High cost of specialty drugs	Lack of employee selection of the most cost-effective health options (network providers, generic drugs, etc.)
ALL	3,447	33%	66%	31%	41%	19%
North Central	1,178	36%	64%	31%	41%	19%
Northeast	514	30%	67%	32%	39%	17%
South Central	611	30%	66%	35%	49%	20%
Southeast	530	39%	66%	30%	41%	18%
West	614	26%	68%	24%	32%	18%
For Profit	2,027	32%	65%	30%	38%	20%
Nonprofit	1,348	33%	66%	32%	43%	17%
Under 100 FTEs	1,076	18%	66%	24%	22%	16%
100 to 499 FTEs	1,383	35%	67%	34%	42%	19%
500 to 999 FTEs	374	46%	61%	31%	58%	20%
1,000 or more FTEs	583	45%	62%	35%	61%	22%

Category	Base	Lack of transparency in hospital and physician pricing	Reluctance of senior management to take bold cost-management actions	Need for high-cost benefit plans to attract and retain top talent	Lack of data-driven insights to help identify needed benefit changes	Other
ALL	3,447	16%	6%	19%	22%	12%
North Central	1,178	16%	5%	17%	22%	13%
Northeast	514	13%	13%	22%	21%	12%
South Central	611	14%	4%	16%	16%	12%
Southeast	530	16%	5%	19%	23%	10%
West	614	18%	4%	23%	28%	13%
For Profit	2,027	17%	6%	19%	24%	11%
Nonprofit	1,348	14%	7%	18%	19%	13%
Under 100 FTEs	1,076	18%	4%	24%	27%	19%
100 to 499 FTEs	1,383	15%	7%	18%	21%	11%
500 to 999 FTEs	374	15%	7%	17%	16%	8%
1,000 or more FTEs	583	13%	5%	14%	18%	6%

Stabilizing employee cost sharing while increasing cost controls

Proven, traditional approaches to managing healthcare benefit costs have their place, but testing new and complementary ideas can optimize selection and maximize the combined potential of solutions. This process also supports the creation and evolution of an employee value proposition that aligns with the cultural experience of the workforce and helps the organization weather both anticipated and unexpected challenges. Incremental changes and more narrowly focused decisions made today can boost progress toward a better outlook tomorrow, in and beyond 2023, for employers and employees.

When compared to 2022, telemedicine recorded significant growth among cost-management options. Up 5 points to 63% overall, variations based on organization size range from 42% of small (up 4 points) to 66% of lower midsize (up 6 points) to 75% of upper midsize (up 6 points) and 83% of large (up 4 points). There was also an increase in the number of employers that supply their employees with cost-transparency tools (30%, up 6 points) and provide healthcare decision support (29%, up 2 points).



Gradual progress toward implementing more innovative and value-focused options has also occurred. The use of narrow or high-performance provider networks increased to 12% of employers (up 1 point), integrated health and disability management programs to 8% (up 2 points) and second-opinion services to 6% (no change). Options like care coordination or care navigation models (8%, up 2 points) can reduce spending while also supporting employees' emotional wellbeing—and lead to improved use of services and providers.

Audits present opportunities to directly eliminate excess spending and improve transparency. Clarity about cash flow, profits and value received for goods and services is an operational necessity. And this standard applies to health plan information, including the ability to audit and examine contracts. Thirteen percent (13%) of employers audit claims to improve transparency in the healthcare supply chain. And due to the significant and increasing impact on costs, 14% closely monitor contract accuracy and eligibility by conducting eligibility audits. This process establishes a clear basis for evaluation while generally providing thorough coverage at a relatively low cost.

Overall, 39% of employers increased the employee contribution to healthcare premium costs in 2023, up just 2 points from the year before. And 28% require a higher cost share as the result of plan design changes, up 4 points. Surcharges offer another option for directly and cost-efficiently lowering plan spending.

Spouses with access to other coverage either incur an extra payment or are excluded from the health plan at 13% of organizations, up 1 point from 2022. An opt-out credit for employees who waive coverage provides a cost-reduction alternative, but only 12% of employers apply this approach. Separately, 12% stipulate a monthly surcharge for tobacco users, up 1 point.

Large employers are much more likely than their small cohorts to apply both standard and value-based cost controls, including 83% vs. 42% that use telemedicine. Size gaps are somewhat smaller for many other cost-control measures.

USE OF STANDARD COST CONTROLS— LARGE VS. SMALL EMPLOYERS

Large	METHOD	Small
83%	Telemedicine	42%
40%	Healthcare decision support	23%
33%	Plan eligibility audits	4%
29%	Claims audits	3%

USE OF VALUE-BASED COST CONTROLS— LARGE VS. SMALL EMPLOYERS

Large	METHOD	Small
20%	Narrow or high-performance provider networks	8%
19%	Care coordination or care navigation model	2%
13%	Second-opinion services	3%
12%	Integrated health and disability management programs	3%

Healthcare cost-control tactics used in 2023

Category	Base	Increase employee contribution to the cost of premiums	Increase employee cost share through medical plan design changes	Implement prescription drug plan design changes (formulary exclusions, mandatory generics, etc.)	Change plan carriers	Use narrow or high-performance provider networks
ALL	3,257	39%	28%	25%	31%	12%
North Central	1,127	41%	28%	27%	30%	15%
Northeast	453	43%	32%	21%	28%	6%
South Central	597	35%	25%	28%	32%	11%
Southeast	504	35%	25%	27%	29%	9%
West	576	40%	28%	19%	34%	15%
For Profit	1,932	40%	29%	24%	32%	10%
Nonprofit	1,254	38%	26%	26%	29%	15%
Under 100 FTEs	951	32%	23%	7%	38%	8%
100 to 499 FTEs	1,330	37%	28%	22%	32%	10%
500 to 999 FTEs	368	46%	29%	40%	22%	15%
1,000 or more FTEs	579	51%	35%	51%	22%	20%

Category	Base	Use reference-based pricing for healthcare services	Implement an onsite/near-site clinic or direct primary care solution	Offer telemedicine	Provide employees with healthcare decision support	Provide employees with cost-transparency tools	Provide wellbeing incentives
ALL	3,257	4%	5%	63%	29%	30%	42%
North Central	1,127	4%	5%	64%	28%	31%	44%
Northeast	453	2%	2%	60%	30%	29%	43%
South Central	597	5%	8%	60%	31%	28%	39%
Southeast	504	3%	6%	73%	32%	31%	46%
West	576	2%	2%	58%	27%	28%	35%
For Profit	1,932	4%	3%	65%	32%	30%	40%
Nonprofit	1,254	3%	7%	60%	26%	29%	44%
Under 100 FTEs	951	4%	2%	42%	23%	20%	28%
100 to 499 FTEs	1,330	4%	4%	66%	29%	31%	41%
500 to 999 FTEs	368	2%	7%	75%	32%	33%	54%
1,000 or more FTEs	579	4%	11%	83%	40%	42%	58%

Healthcare cost-control tactics used in 2023 (cont.)

Category	Base	Deploy enhanced mental and behavioral health programming	Integrate health and disability management programs	Activate a care coordination or care navigation model	Implement a surgical carve-out	Perform eligibility audits
ALL	3,257	21%	8%	8%	2%	14%
North Central	1,127	22%	9%	8%	2%	14%
Northeast	453	20%	7%	8%	0%	12%
South Central	597	18%	8%	8%	2%	13%
Southeast	504	20%	8%	9%	2%	17%
West	576	20%	6%	5%	1%	12%
For Profit	1,932	20%	8%	8%	2%	13%
Nonprofit	1,254	22%	7%	8%	1%	15%
Under 100 FTEs	951	11%	3%	2%	1%	4%
100 to 499 FTEs	1,330	18%	8%	6%	1%	10%
500 to 999 FTEs	368	30%	10%	12%	1%	20%
1,000 or more FTEs	579	36%	12%	19%	5%	33%

Category	Base	Perform claims audits	Offer second-opinion services	Provide nonsmokers a discount on premiums (smoker or tobacco surcharge)	Apply a surcharge or exclusion for spouses with access to other coverage	Offer an opt-out credit to employees who waive coverage
ALL	3,257	13%	6%	12%	13%	12%
North Central	1,127	12%	6%	15%	18%	15%
Northeast	453	13%	7%	10%	13%	16%
South Central	597	14%	7%	11%	11%	5%
Southeast	504	15%	8%	19%	14%	8%
West	576	10%	4%	5%	6%	13%
For Profit	1,932	12%	6%	13%	14%	9%
Nonprofit	1,254	14%	6%	11%	13%	17%
Under 100 FTEs	951	3%	3%	4%	6%	11%
100 to 499 FTEs	1,330	11%	4%	11%	12%	13%
500 to 999 FTEs	368	18%	9%	14%	17%	13%
1,000 or more FTEs	579	29%	13%	28%	25%	9%

Key Takeaways

Approaching attraction and retention holistically simplifies efforts to meet or exceed organizational goals. Employers have gone all out to overcome their rivals in a tough labor market, increasing compensation while largely maintaining benefit and cost-sharing levels. At the same time, they've applied more cost-containment tactics and added vendor point solutions to address rising costs and meet a greater variety of employee preferences. An overarching organizational wellbeing strategy helps create order out of chaos by establishing an underlying framework for defining objectives, setting priorities, making decisions and taking actions that drive a clear ROI.

More diverse benefits come with more complexity. Many employees have easy access to abundant programs and services, but some employers may not have fully assessed their value. Taking an inventory of these resources and understanding their performance potential drives better decisions, allowing employers to optimize both their investments and the employee experience. Once benefits are well matched with the interests of employees, communications help build awareness. Refinement and alignment can then follow based on why they were selected and what success should look like. Increasingly, a thorough evaluation requires access to vendor metrics that provide insights into outcomes and behavior change, not just engagement.

The status quo will not sustain or improve costs, productivity or attachment. Rising healthcare costs and labor trends work against even the best efforts to contain or lower spend. Health plan management and value-focused care are key. But employers can also lower costs, without compromising the quality of care, by effectively combining medical benefits, physical and emotional wellbeing resources, and technology. More options can offer better alternatives for filling gaps in total rewards, addressing critical population needs and supporting greater organizational attachment. Because employees' understanding and acceptance of changes to their healthcare benefits is essential to success, so is communication.

Providing a people-first framework helps to address the diverse needs and interests of employees. Inclusive and equitable benefits are just part of an approach that lays a firm foundation for effective workforce management. Used strategically, communication is one of the most influential tools for elevating DEI and enabling a more cohesive and psychologically safe work culture. Messaging that resonates with the cultural expectations of the workforce helps to create narratives that support a better employee experience and sustainable organizational wellbeing.

Data is critical to negotiating what the future of work looks like. When employees and employers have different ideas about the most effective policies and practices, technology can be pivotal to supporting workforce needs while increasing productivity. Access to more and better information informs decision-making and often improves organizations' ROI. Optimal use of HR technology also allows employers to manage outcomes with greater agility, using automation and emergent capabilities to meet employee expectations and support the people strategy.

ENDNOTES

[1]The Conference Board, "The Conference Board Economic Forecast for the US Economy," March 2023

[2]Federal Trade Commission, "FACT SHEET: FTC Proposes Rule to Ban Noncompete Clauses, Which Hurt Workers and Harm Competition," January 2023

[3]HR Daily Advisor, "States and Cities Limit AI Use in Employment Decision-Making," February 2023

[4]U.S. Bureau of Labor Statistics, "Economic News Release: Employment Cost Index Summary," January 2023

[5]World Economic Forum, "The Great Resignation continues. Why are US workers continuing to quit their jobs?," January 2023

[6]Gallagher actuarial consensus trend forecast, December 2022

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ABOUT GALLAGHER

Your people are your organization's greatest asset.

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

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

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

Doing so can help your business attract top talent, motivate employees and shift the organizational culture so employees feel differently about their work. When organizations find ways to reduce burnout and increase productivity among their people, business performance can soar.

This is why employee wellbeing is at the center of Gallagher Better Works℠—a comprehensive approach for strategically investing in benefits, compensation, retirement, employee communication and workplace culture so you can support your people's physical and emotional health, financial confidence and career growth at the right cost structures.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher offers you data-driven insights—allowing you to make the most of your investment in talent, deliver a better people experience and reduce organizational risk.

Even in times of uncertainty, Gallagher's consultants are here to help you optimize your profitability with a strategy rooted in the wellbeing of your people — so you can face the future with confidence.

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