

2025
**WORKFORCE
TRENDS**
REPORT SERIES

Talent Benchmarks

Survey results for employee engagement as well as inclusion
and diversity objectives

US EDITION



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| 1 BENEFITS Benchmarks for medical, pharmacy and voluntary benefits, as well as wellbeing initiatives and absence management strategies | 2 TALENT Benchmarks for employee engagement as well as inclusion and diversity objectives | 3 FINANCIAL Benchmarks for retirement plan benefits and other supporting coverages | 4 BEST-IN-CLASS Benchmarks for the people strategies of top employers | 5 EMPLOYEE COMMUNICATIONS Benchmarks for internal communication and employee experience strategies |

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Contents

3

Introduction

6

Employee
Engagement

11

Inclusion
& Diversity

16

Endnotes

16

Contributors

16

About
Gallagher

The intent of this document is to provide general information regarding your potential interests and concerns related to employee compensation and benefits. 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 about specific issues should be addressed by your general counsel or an attorney who specializes in this practice area.

Introduction

People are at the heart of everything you do, and aligning your people strategy with your overall business goals empowers them to maximize their capabilities and contributions. This includes cultivating a supportive and inclusive workplace culture where employees feel valued and respected. When employees are comfortable sharing their ideas and concerns, problem-solving and innovation flourish.



Stability benefits not only business operations but also employee morale and engagement. Retention is a critical HR and operational priority, and keeping talent and expertise within the company supports organizational growth and success.

Engaged employees feel a stronger connection and commitment to the organization's goals and values. Transparent communication about the organization, its mission, challenges and successes helps build trust and confidence in leadership. Opportunities for professional development and career growth are key drivers of retention, enabling employees to envision a long-term future within the company.

Inclusion and diversity (I&D) initiatives aim to foster a sense of belonging among employees. By creating a culture that values transparency and meritocracy, I&D seeks to embrace the unique backgrounds and capabilities of all employees. Recently, I&D discourse has become more complex, leaving some employers uncertain about the best path forward. Regardless of how I&D evolves, the underlying sentiment of inclusivity remains central to a strong people strategy.

Part of our US Workforce Trends Report Series, this installment covers talent benchmarks to help you better drive employee engagement and performance. Data and insights are compiled from a variety of Gallagher 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 January to March 2025. A total of 4,035 organizations across the US participated.

Download detailed data findings broken out by region, organization size and ownership structure [here](#).

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Top Trends IN TALENT

1

Increasing the focus on talent retention

Keeping employees motivated and connected to their work and the organization is crucial for retaining talent and reducing turnover costs. Engagement is fundamental to workforce stability, productivity and a positive organizational culture.

Rank Retaining Talent as a Top Priority

Top HR priority



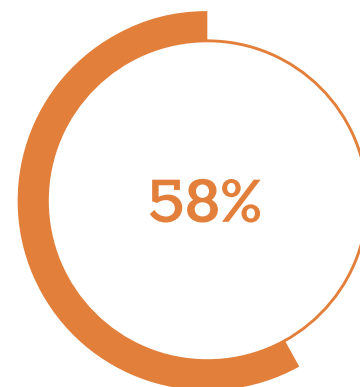
Top operational priority



2

Leveraging strategies to improve engagement

Without a deliberate strategy, engagement levels may stagnate or decline. To prevent this, employers are using tactics such as defining clear performance goals, communicating in a way that builds trust and confidence, and supporting employees' career paths.



Have a strategy for improving employee engagement

3

Reducing employee stress through proactive measures

A convergence of external and internal factors is causing stress and burnout among employees. Leading employers are proactively offering support, training managers and communicating with employees to mitigate these effects and maintain engagement.



Say leaders are concerned about the impact of stress and burnout on the organization

4

Navigating uncertainty with I&D policies

Recent discussions on I&D have become increasingly polarizing. Nevertheless, I&D policies remain crucial for employers as they navigate economic uncertainty, offering a framework for transparent decision-making and sustainable growth.



Deploy I&D initiatives

5

Integrating I&D to create an inclusive culture

By embedding I&D into every aspect of their operations, employers can foster a culture of inclusivity and equity. Leveraging artificial intelligence (AI) to complement and enhance human efforts in promoting inclusiveness presents an opportunity for innovation.

Integrate I&D Policies

Recruitment



Communication



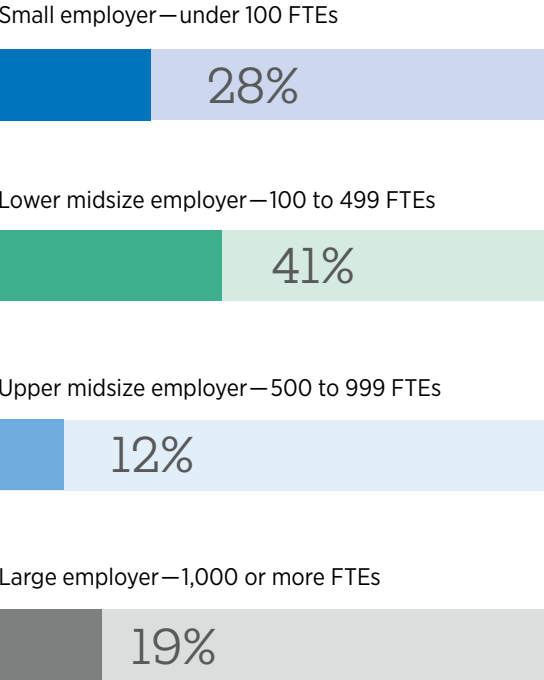
Talent analytics and engagement



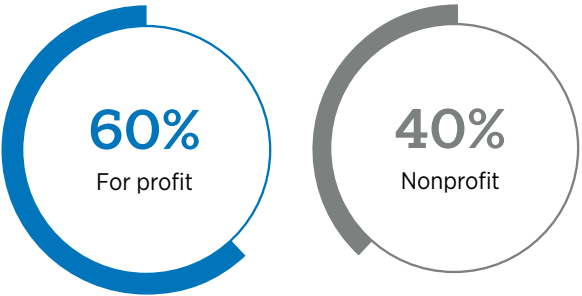
BENEFITS STRATEGY & BENCHMARKING SURVEY PARTICIPANT PROFILE



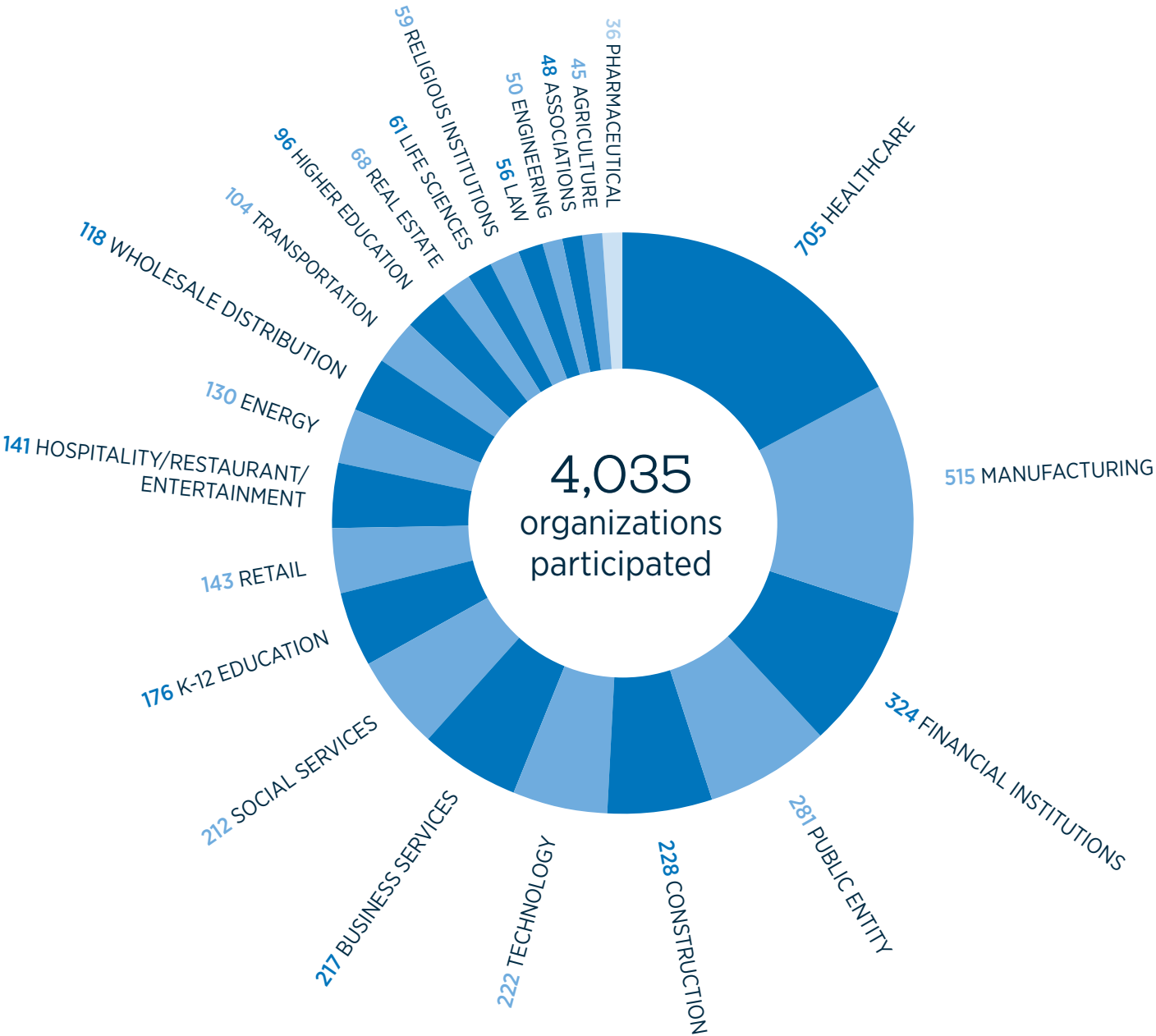
Workforce Size—Full-Time Equivalents (FTEs)



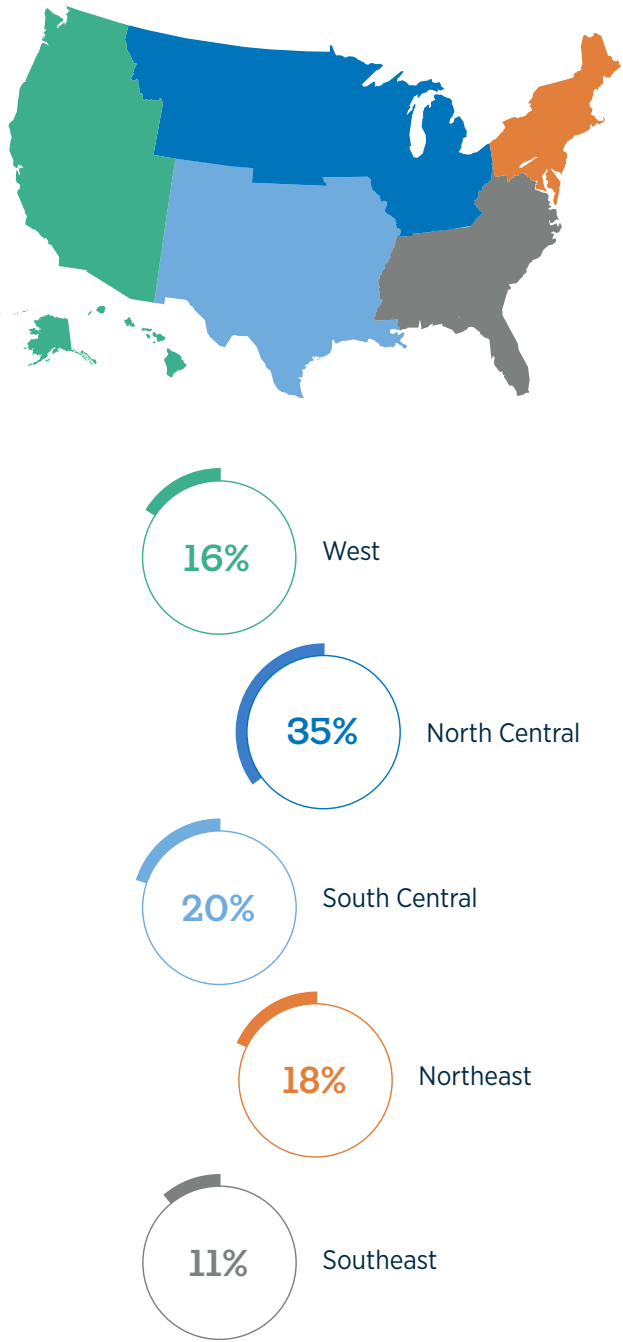
Ownership Structure



Number of Participating Organizations by Industry



Geography





Employee Engagement

Investing in employee engagement is a strategic initiative that can foster long-term success and sustainability for any organization. Retention is a top priority for both HR and operations, resulting from career development support, a strong organizational culture and effective communication.

While engagement levels have remained stable over the past few years, there's a need for renewed action planning and accountability to drive further improvements. Addressing financial wellbeing, emotional wellbeing and other workforce issues with sensitivity and awareness can guide a more strategic and impactful approach.

Leaders must consider the different generations and life stages within their workforce, each with varying levels of engagement and expectations. For instance, Gen Z values career growth and purpose but has lower patience and higher compensation expectations, whereas Millennials often prioritize culture and flexibility. Employees with childcare responsibilities may place greater importance on the ability to work from home and flexible hours.

Effective communication is crucial for building trust and engagement. Regular and transparent messaging is essential, especially amid economic and sociopolitical uncertainty. Additionally, employee concerns about emerging technologies like AI and their implications for job security can increase stress and burnout. Personalizing communications and finding creative ways to make messages relevant can help cut through the noise and enhance resonance. Actively listening to employee needs and preferences, and taking action to address them, demonstrates a genuine commitment to the people who drive the business.

Retention as a strategic priority

Retaining talent is a central priority for organizations, and for good reason. Experienced employees possess invaluable institutional knowledge essential for business continuity and innovation. Long-term employees also tend to be more productive as they're familiar with the company's processes and culture. Frequent departures can create uncertainty and negatively impact morale.

Employers that focus on enhancing employee engagement can reduce attrition. In 2024, nearly two-thirds of employers (65%) experienced turnover rates of 10% or higher, and nearly half (47%) reported rates of 15% or more. For many (28%), this was higher than anticipated. Recruiting, hiring and onboarding new employees is costly. Keeping employees motivated and connected to their work and the organization can help retain them and mitigate these expenses.

Retaining talent is the top HR priority in 2025 (59%), elevating it to an organization-wide initiative for many employers. In fact, retention ranks as the second highest operational priority (42%), only behind growing revenue or sales (51%) and above maintaining or decreasing overall operating costs (39%).

HR leaders are also concentrating on increasing workforce engagement and productivity (31%). Engaged employees tend to perform at higher levels and contribute significantly to organizational outcomes. Likewise, engagement can lead to stability, which is crucial in an uncertain economy. A sub-priority for engaging employees is keeping remote employees connected (3%). Regular communication, collaborative tools, feedback and recognition, and professional development can foster a sense of belonging and help ensure remote employees remain engaged.



Recruiting, hiring and onboarding new employees is costly. Keeping employees motivated and connected to their work and the organization can help retain them and mitigate these expenses.

Measuring engagement

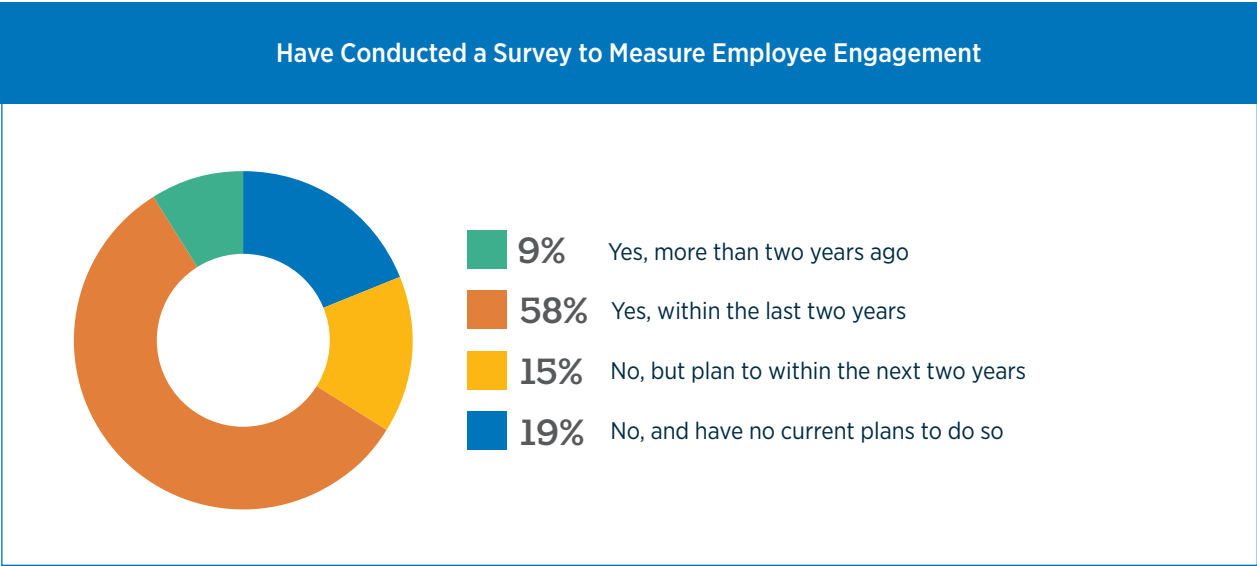
Workforce engagement is undeniably crucial for HR leaders. However, assessing the current state of employee engagement is a challenging yet essential step in developing a strategy to enhance employee connectedness.

Similar to 2024, 61% of employers agree that their workforce is highly engaged, while 33% remain neutral and 6% disagree. Engagement perceptions may be influenced by research, performance metrics or turnover rates, but they can also stem from leadership’s direct experiences with their teams. This latter approach risks overlooking broader workforce engagement, potentially leading to overestimation.

Effective employee listening and action planning are vital. Utilizing a well-designed survey to gauge engagement levels helps pinpoint organizational strengths and areas needing improvement.

The survey process and reporting should drive actionable changes rather than merely collecting data. In the past two years (since 2023), 58% of employers have conducted surveys to measure employee engagement, ranging from 43% of small employers to 74% of large. Across all sizes, 15% of employers have not yet deployed an engagement survey but plan to within the next two years (by 2027).

Without attention, engagement levels may stagnate or decline. Aligning goals and plans with workforce data is integral to achieving desired outcomes. Currently, just under 3 in 5 employers (58%) have a strategy to improve employee engagement, and another 24% plan to develop one within the next two years. And again, large employers (73%) are significantly more likely to have a strategy in place compared to small employers (45%).



Thought Leader POV



“Employee listening is essential, and the way surveys are perceived really depends on what happens after the data is collected. If employees notice meaningful changes and see that their feedback is being used positively, that’s way more effective than just doing monthly surveys. Surveys should act as a catalyst for change, and having a solid action plan is key to making it all work.”

— Chris Dustin, Managing Director, People and Workplace Experiences

Achieving high levels of employee enthusiasm for the organization requires confidence that leadership can guide them through both prosperous and challenging times.

Top drivers

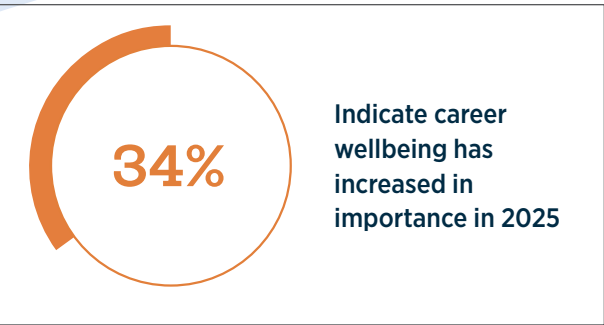
Many factors influence employee engagement and retention, but certain elements are particularly impactful. This year, the focus has shifted from confidence in senior leadership to factors emphasizing individual growth and professional development as the primary drivers of engagement. Notably, a work environment that supports career growth and development has taken the top spot, followed by opportunities for self-improvement.

Employee confidence in their ability to succeed in their roles ranked third for engagement and first for retention. When employees feel capable and successful, they’re more likely to take initiative, propose new ideas, perform tasks efficiently, encourage collaboration and generally experience greater job satisfaction. Training and development opportunities, constructive feedback and a supportive environment help employees build and refine their skills, reinforcing their value to the organization.

Although there’s been a slight decline in its ranking among top engagement drivers, trust in senior leadership’s decision-making remains a significant factor. Achieving high levels of employee enthusiasm for the organization requires confidence that leadership can guide them through both prosperous and challenging times.

By concentrating on the engagement and retention factors that matter most to employees, employers can create a foundation for meaningful work that aligns with employee values and interests. Providing advancement opportunities keeps employees excited about their roles and committed to their future with the organization. Leaders who communicate effectively, demonstrate empathy and provide clear direction inspire trust and loyalty among employees. Ultimately, investing in the top drivers of engagement and retention will help reduce turnover and secure a dedicated and enthusiastic workforce.

| Factors That Build Engagement ¹ | | Factors That Build Retention ¹ | |
|--|--|---|--|
| 1 | Career growth pathways | 1 | Confidence in ability to be successful in role |
| 2 | Opportunity for self-improvement | 2 | Career growth pathways |
| 3 | Confidence in ability to be successful in role | 3 | Appreciation for work effort and contributions |
| 4 | Trust and confidence in senior leadership | 4 | Trust and confidence in senior leadership |
| 5 | Sufficiently challenging job | 5 | Organization’s ability to adapt to the changing economic environment |



The importance of career wellbeing

Enhancing employee engagement is nearly impossible without considering career wellbeing. By prioritizing career wellbeing, organizations can foster an environment where employees are more engaged, productive and committed to their roles. Job satisfaction, professional growth, a sense of purpose and meaning in work, and a healthy work-life balance all strengthen the connection between employees and the organization.

In 2025, more than a third of employers (34%) indicate that career wellbeing has become increasingly important to their organization. Career wellbeing measures the overall satisfaction and fulfillment an individual experiences in their professional life. Generally, the greater the satisfaction, the greater the contributions the individual can make to the organization.

Employers support this mission in various ways, with the most common being service awards or employee recognition (79%). Additionally, half (50%) have implemented peer-to-peer recognition programs. When employees feel appreciated, they're motivated to continue performing well.

Career growth pathways are top drivers of engagement and retention. As such, 69% of employers deliver ongoing performance feedback and 70% offer leadership development training. Nearly two-thirds (65%) conduct employee development training, while 38% set up mentoring programs to facilitate guidance and knowledge transfer from more seasoned workers to the next generation. The return on investment (ROI) of investing in employee growth is improved engagement and retention. When employees can enhance their skills and feel adequately challenged, they can carve a path for growth and perform at their best.



Improvement tactics

Many employers are actively working to improve employee engagement, recognizing its connection to career wellbeing. Several top tactics are designed to enhance both areas. The most common approach, adopted by 45% of employers, involves setting clear performance goals to align employee responsibilities and objectives with those of the organization. At similar rates, 43% of employers support employees in developing and pursuing career paths, and 41% provide timely and constructive feedback throughout the process. Additionally, 38% of employers focus on recognizing excellence in performance to further strengthen engagement.

Collaborative goal setting is essential for increasing employee buy-in and helping to ensure that goals are realistic and relevant to their roles. Regular constructive feedback and performance reviews help employees identify their strengths and areas for improvement. Career coaching can uncover career aspirations and development opportunities, guiding professional growth. Creating personalized career development plans that outline checkpoints, skills to develop and steps to achieve them enables employees to reach their full potential.

Effective communication is crucial for a healthy, productive workplace and is a priority for 44% of employers to boost engagement. Sharing open, honest information with clarity on the why and impact builds trust and confidence, helping employees understand organizational actions amid rapid change. Consistent messaging across all levels prevents confusion and reinforces reliability, leading to more engaged and committed employees.

Connecting employees' efforts to the organization's strategy, mission, vision or values is a tactic used by 37% of employers. This alignment helps ensure that efforts are in sync with the organization's purpose, maintaining a cohesive direction and focus while fostering loyalty. A multi-faceted approach to improving engagement and enhancing career wellbeing brings out the best in employees, which is essential to organizational success.



Employee stress and burnout

A convergence of external and internal factors is leading to stress and burnout among employees, ultimately threatening engagement. Factors such as the cost of living, inflation and sociopolitical concerns may weigh heavily on employees’ minds. Internally, emerging technologies and increased workloads can add pressure and feel overwhelming. Although slightly down from 2024, two-thirds of employers (67%) are concerned about the impact of stress and burnout on their organization.

Keeping up with rapidly evolving work methods is a notable contributor to employee tension. The fast-paced adoption of AI requires employees to quickly learn new systems and processes. Some employees may feel that AI automation threatens their job security, and the pressure to upskill and reskill can be daunting. Providing adequate training, clear communication and support to help employees navigate the transition to AI technologies can help mitigate these challenges.

2 in 3

Say leaders are concerned about the impact of stress and burnout on the organization

Employers are deploying specific resources to alleviate stress and burnout, including stress management, resiliency or meditation programs (32%); time off for mental health or burnout (28%); and onsite meditation rooms (18%).

Managers play a crucial role in supporting employees dealing with stress and burnout, yet less than a quarter (24%) offer mental health training for managers, leaders or HR. Consequently, less than half of employers (45%) report that their managers are well-equipped to refer employees to mental health support services. Notably, training is twice as common among large employers (34%) compared to small ones (17%), and results show that large employers are more likely to report that their managers are equipped to refer employees to support (52% vs 37%).

Training can help managers identify employee stressors early and connect those in need with available resources, such as counseling, stress management and other wellbeing services. Managers also benefit from learning strategies to encourage open dialogue, help ensure workloads are manageable and fairly distributed, offer flexible work arrangements, and model healthy stress management practices.

Flexible work arrangements

Flexible work arrangements have undergone significant transformation over the past five years, largely influenced by COVID-19 and evolving employee expectations. Hybrid and remote work models have become prevalent, providing flexibility in how and where employees work. Roughly 1 in 5 employers (19%) offer complete flexibility regarding working location. Additionally, more organizations are allowing employees to choose their working hours, provided they meet their job requirements. This flexibility aids employees in balancing work and personal responsibilities, with many valuing reduced commuting time and increased autonomy, and finding enhanced focus on tasks when working from home.

In several industries, there’s been a cultural shift toward prioritizing outcomes over hours worked. Employers are increasingly focusing on productivity and results rather than adhering to the traditional 9-to-5 workday. This approach can lead to higher job satisfaction and productivity among employees, while employers benefit from cost savings related to reduced office space, lower turnover rates and an expanded talent pool.

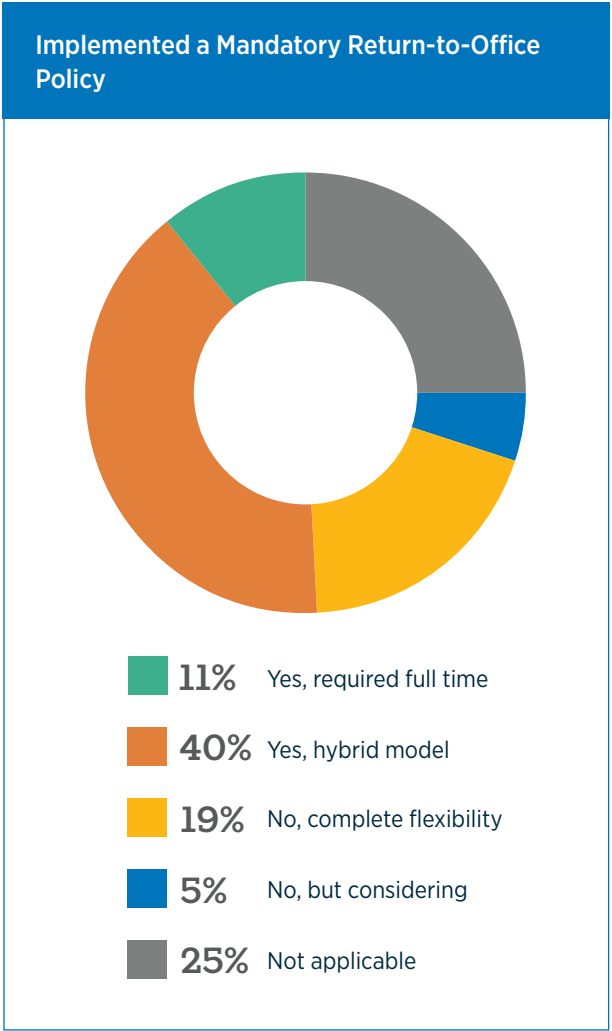
However, some employers are implementing mandatory return-to-office policies to strengthen company culture and enhance collaboration through in-person interactions. Managers may find it easier to monitor progress, provide feedback and manage performance when employees are onsite. Yet despite these intentions, employers face challenges such as employee resistance (43%), a decline in employee morale or engagement (19%), and increased turnover or attrition (14%).

Currently, only 11% of employers have implemented policies requiring employees to be in the office full time. The most common policies are hybrid models (40%), where employees split their time between in-office and work-from-home days. This approach is more prevalent among large employers (50%) compared to small ones (30%). On the other hand, a quarter of employers (25%) have never offered remote work, a practice more common among small employers (33%) than large ones (13%).

Thought Leader POV

“Right now, with all the new tech coming out, especially AI, organizations are really trying to figure out if they should be helping their employees learn new skills or completely retrain them. On the flip side, employees are also wondering what all this means for their jobs and what the future of work is going to look like.”

— Tamarah Saif, National Managing Director, People Development & Insights



Sociopolitical factors

The sociopolitical environment can greatly affect employee stress levels and lead to disengagement if not managed proactively. The current economic landscape, marked by recession fears and potential layoffs, serves as a major stressor for employees. Rising healthcare costs undermine financial wellbeing, while financial concerns distract employees and reduce productivity. Tariffs and shifting government policies further increase uncertainty, impacting employees' sense of security and stability.

Ongoing social justice movements and discussions about I&D are also influencing workplace dynamics. Employees are increasingly aware of these issues and expect their employers to address them. Environmental concerns and global geopolitical turmoil add to the stress, anxiety and feelings of overwhelm that employees may experience.

To alleviate some of this tension, employers play a crucial role in keeping employees informed about the company's financial health and any changes that may affect them. Transparency builds trust and reduces anxiety. Offering financial assistance programs, such as emergency loans or financial counseling services, can help employees manage their personal finances during challenging times. Additionally, fostering a sense of community and support within the workplace through team-building activities and social events demonstrates to employees that they're not alone.

Supporting employees during times of stress is not only a compassionate approach but also a strategic one that benefits both employees and the organization. Employees bring their whole selves to work each day, including the external factors and personal challenges they face. By acknowledging these realities and their impact on daily experiences and performance, organizations can create a supportive and understanding work environment that enables everyone to thrive.

Supporting employees during times of stress is not only a compassionate approach but also a strategic one that benefits both employees and the organization.

Thought Leader POV



“While organizations can’t control challenges like economic uncertainty, healthcare costs rising faster than pay or the sociopolitical climate, they can prioritize assessing these impacts and better connect their employees with existing or new supports. Enhanced communication can offer some transparency amidst the unknowns, empowering employees to take informed actions.”

— Ruth Hunt, Principal, Engagement and Communication

Key takeaways

IN EMPLOYEE ENGAGEMENT

1

Retention as a strategic priority

Retention is a top HR and operational priority, essential for organizational stability and innovation, as experienced employees hold valuable knowledge and contribute to productivity. Prioritizing engagement and connection helps reduce costly turnover and enhance performance.

2

Measuring engagement

Workforce engagement is crucial, yet accurately assessing it poses challenges for effective strategy development. Well-designed surveys help identify organizational strengths and areas for improvement, while aligning goals with workforce data drives meaningful change and prevents stagnation in engagement levels.

3

Top drivers

Many factors influence employee engagement and retention, but certain elements are particularly impactful. While trust in senior leadership remains important, individual growth and professional development have become the primary drivers in 2025.

4

The importance of career wellbeing

Prioritizing career wellbeing enhances employee engagement by fostering productivity and commitment through job satisfaction and growth opportunities. Organizations that invest in recognition, development and mentoring programs improve engagement and retention by empowering employees to perform at their best.

5

Improvement tactics

Employers are actively enhancing employee engagement and employing various tactics such as setting clear performance goals, supporting career development, providing timely feedback and recognizing superior performance. These tactics collectively improve both engagement and career wellbeing.

6

Employee stress and burnout

External economic and sociopolitical concerns, combined with internal challenges from emerging technologies, are causing employee stress and burnout. Employers are responding with stress management programs and mental health resources, but enhanced manager training is needed to effectively support employees.

7

Flexible work arrangements

Flexible work arrangements give employees greater autonomy and work-life balance, positively impacting their engagement, while employers benefit from increased productivity and cost savings. Although hybrid models are the most common, 1 in 5 employers offers complete flexibility in working locations.

8

Sociopolitical factors

The sociopolitical environment can greatly affect employee stress levels and lead to disengagement if not addressed proactively. To help ease this tension, employers should keep employees informed about the company's financial health and any changes that might impact them, as transparency fosters trust and reduces anxiety.



Inclusion & Diversity

In recent years, I&D policies have emerged as a central theme in political, social and business discussions. Between 2020 and 2022, many organizations placed more emphasis on I&D, often engaging internal teams or external consultants to craft their I&D strategies. But since 2023, the discourse has shifted, with I&D becoming a more polarizing topic.

This shift may leave employers uncertain about how best to integrate I&D principles into their organizations. Employers facing this dilemma should recognize that I&D plays a crucial role in supporting organizational strategy and aligns seamlessly with top operational priorities. As employers contend with high turnover rates and ongoing competition for talent, I&D initiatives can also support HR priorities, like fostering a strong organizational culture.

I&D policies are instrumental in helping organizations navigate uncertain economic climates, providing a framework for transparent decision-making and sustainable growth. Integrating I&D into critical areas, such as succession planning, enhances long-term organizational success by developing diverse leadership pipelines.

Furthermore, I&D can drive organizational innovation — essential for maintaining a competitive edge — by facilitating the inclusion of diverse ideas. Inclusive organizations are 73% more likely to reap innovation revenue, 70% more likely to capture new markets and up to 36% more likely to have above-average profitability.¹ By analyzing trends from recent years, employers can establish I&D efforts that are not only effective but transformative, setting the stage for a prosperous future.

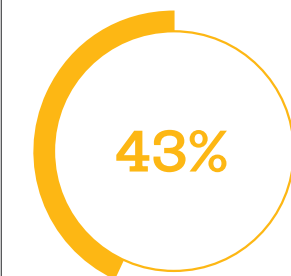
Alignment with operational priorities

Recent headlines suggest that organizations are scaling back their I&D policies. In reality, many are simply refocusing their efforts while maintaining the fundamental principles of inclusion and diversity. However, misperceptions still trickle into business settings, creating questions for employers. This can lead to confusion and apprehension, leaving them uncertain about the best path forward.

In 2025, most employers (74%) are implementing I&D initiatives, with large employers (84%) more likely to do so than small ones (67%). The key purpose of these initiatives is to align with the core values of the organization (43%).

Beyond company values, I&D initiatives closely align with business objectives too. Employers have identified their top operational priorities for 2025 as growing revenue or sales (51%), retaining talent (42%), and maintaining or reducing overall operating costs (39%). When viewed from a strategic perspective, I&D initiatives can support each of these goals.

Ideally, I&D policies should be seamlessly integrated into the fabric of organizational operations, rather than existing as separate entities. By adopting a broad, merit-based approach, employers help ensure that every employee is evaluated using the same metrics, fostering transparency and fairness. This approach provides protection and assurance that merit truly guides decision-making processes and appeals to workers who value inclusive practices. It also helps the bottom line, as aligning I&D efforts with business objectives allows organizations to create a sustainable model that benefits everyone.



Say the key purpose of current I&D initiatives is to align with the core values of their organization

Recent headlines suggest that organizations are scaling back their I&D policies. In reality, many are simply refocusing their efforts while maintaining the fundamental principles of inclusion and diversity.

Alignment with HR priorities

I&D initiatives are crucial for achieving top HR priorities, such as retaining talent (59%), training and developing employees (40%), and creating a strong organizational culture (38%). I&D supports these objectives by cultivating an inclusive environment where employees feel valued and supported. In fact, employees at organizations with I&D policies are more likely to report being satisfied with opportunities for growth and development (78%) than those without I&D initiatives in place (64%).²

Although only a small percentage of employers (3%) currently prioritize increasing workforce I&D, fostering these initiatives can significantly support their most important goals. Emphasizing the human element that drives individuals toward inclusivity is essential, particularly for talent retention. By integrating I&D into HR strategies, organizations can boost employee engagement and support long-term growth and stability.

The alignment of I&D with HR priorities is also reflected in the focus on health and emotional wellbeing, a top priority for 21% of employers. Recognizing the importance of mental health, 70% of employers offer virtual or telephonic mental health counseling as part of their emotional wellbeing initiatives. Additionally, 28% provide time off for mental health or burnout, acknowledging the impact of stress on employee performance and retention. Concern for employee wellbeing is further underscored by the fact that 67% believe leaders are worried about the negative effects of stress and burnout on their organizations.

I&D initiatives can mitigate stressors by helping to ensure that employees feel they belong within the organization's culture and future. When employees see themselves as integral to the organization, their sense of belonging and commitment increases, reducing work-induced stress and enhancing overall productivity.

Ways to Achieve HR Priorities Through I&D Initiatives

| Retaining Talent | Training and Developing Employees | Creating a Strong Culture |
|---|---|---|
| <ul style="list-style-type: none">• Cultivate a sense of belonging• Implement mentorship programs• Recognize and reward diverse contributions | <ul style="list-style-type: none">• Offer diverse learning opportunities• Encourage cross-cultural collaboration• Provide personalized career development plans | <ul style="list-style-type: none">• Promote open communication• Celebrate cultural diversity• Align values with inclusivity |



Impact on turnover

Employee turnover presents a significant challenge for organizations, with 33% of employers experiencing full-time employee turnover rates of 20% or more. The financial impact of high turnover is considerable, including the loss of potential ROI from recruitment and onboarding efforts when employees depart within two years. Additionally, turnover disrupts productivity and can cause delays in deliverables and timelines, ultimately affecting an organization's bottom line.

I&D initiatives can help mitigate turnover by creating a workplace environment that values transparency and meritocracy. These fundamental aspects of I&D make employees feel recognized and valued, reducing the likelihood of them seeking opportunities elsewhere.

Despite the clear benefits, many organizations encounter challenges in implementing effective I&D strategies. With over half of HR departments (56%) responsible for I&D oversight, there's often a shortage of staff and funding dedicated to these initiatives. This creates a dilemma for HR professionals tasked with recruiting and retaining talent without adequate resources. To address this, employers should review financial data on turnover and onboarding costs to identify areas where strategic investments in I&D can yield a higher ROI.

By integrating I&D into organizational culture, employers can enhance employee engagement, contributing to reduced turnover and increased productivity and revenue. Investing in I&D is a strategic move that supports employee retention and drives business success.



The fundamental aspects of I&D make employees feel recognized and valued, reducing the likelihood of them seeking opportunities elsewhere.

Top challenges

Implementing I&D initiatives involves navigating several key challenges to achieve meaningful progress. The primary obstacles include a lack of internal staff to support program efforts (37%), insufficient funding or resources (33%), and a lack of interest and engagement from employees (31%). Additionally, the absence of robust data and reporting to quantify I&D's impact (31%) further complicates efforts to advance these initiatives. These challenges have remained relatively stable since 2023, with only minor fluctuations, highlighting the ongoing need for intentionality and strategic planning.

A significant barrier is the siloed approach to I&D, where initiatives are often confined to specific departments, such as HR, rather than being integrated across the organization. This limited scope can hinder the effectiveness of I&D efforts by restricting the potential for widespread cultural change. To address this, organizations should adopt a broader understanding of I&D, helping to ensure that responsibility for oversight is shared beyond HR and embedded into the organization's fabric.

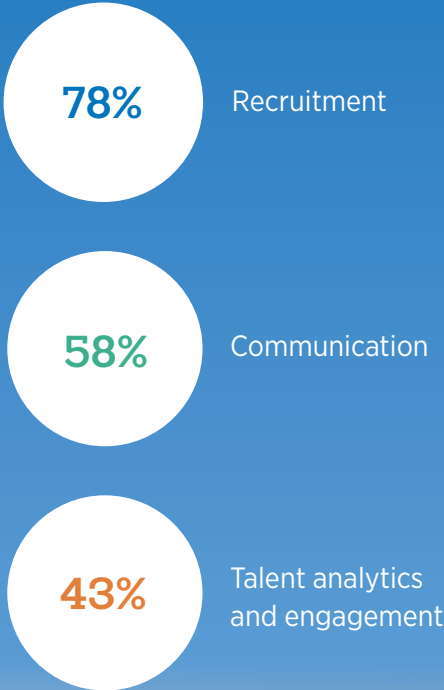
By integrating I&D initiatives across all levels of the workforce, employers can foster a culture of inclusivity that permeates every aspect of their operations. Currently, 78% embed I&D into their recruitment policies, 58% include I&D in their communications efforts, and 43% integrate it into talent analytics and engagement practices. This holistic approach requires intentional investment in resources and personnel dedicated to I&D, as well as the development of robust data and reporting mechanisms to track progress and impact.

Ultimately, addressing these challenges requires a commitment to strategic planning and resource allocation. By prioritizing I&D as a core organizational value and integrating it into all facets of the business, employers can overcome these obstacles and create a more inclusive workplace that supports long-term success.

Top Challenges to I&D Initiatives



Functions and Activities That Have Integrated I&D Policies or Practices



Role in navigating uncertainty

The year 2025 has introduced some economic uncertainty as organizations navigate the impacts of tariffs and global trade shifts on their operations. In such unsettled times, I&D can act as a stabilizing force by reducing turnover and fostering resilience. Fundamentally, I&D promotes respectful dialogue and diversity of thought, aiding organizations in making more strategic decisions. By embracing diverse perspectives, they can more effectively assess risks and opportunities, leading to innovative solutions that drive progress.

The current economic climate highlights the importance of I&D. Organizations that integrate I&D into their strategic planning are better positioned to adapt to changing market conditions. Over three-quarters of employers (78%) have incorporated I&D into their recruitment processes, acknowledging its role in attracting diverse talent that enhances organizational agility and innovation.

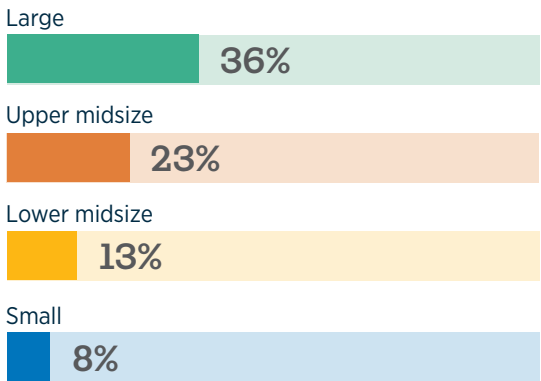
By cultivating an inclusive culture where employees feel valued and supported, employers bolster career and emotional wellbeing, which remain important topics. Ninety-seven percent (97%) of employers have implemented at least one emotional wellbeing initiative, while 95% have established at least one career wellbeing initiative.

Affinity or employee resource groups (ERGs) are included among these offerings and are provided by 20% of employers overall, with a higher prevalence among large employers (36%) compared to small employers (8%). ERGs can vary from generational and community service-based groups to those focused on cultural awareness. Implementing wellbeing initiatives like ERGs can enhance employee engagement and retention, which are vital for maintaining productivity during uncertain times.

Have at Least One Wellbeing Initiative in Place



Provide Affinity or Employee Resource Groups



Innovation opportunities

There's no single correct approach to implementing I&D. Employers can keep this principle in mind as they decide how to advance their I&D strategies. The current landscape offers a unique opportunity for innovation. By reviewing past I&D programs, employers can pinpoint successful elements and identify existing gaps, enabling them to innovate and address these gaps effectively.

Certain areas are particularly ripe for innovation, such as integrating I&D into employee benefits — a practice currently adopted by only 33% of employers — and providing training on embedding inclusive behaviors into every role, which only 24% of employers offer. These statistics indicate substantial potential for growth and development. By focusing on these areas, employers can foster innovation by moving I&D beyond traditional silos.



AI represents another area of potential innovation. When properly trained to be intentionally inclusive, AI emerges as a promising tool. For example, AI can act as a coach, offering valuable insights and challenging biases when provided with thoughtful inputs. While AI cannot replace human judgment, it can complement human efforts to enhance inclusiveness and opportunity.

Employers should be encouraged to develop strategies that align with their unique goals and values. By doing so, they can position themselves for long-term success, creating environments where all employees feel valued and empowered to contribute to the organization's growth and innovation.

Thought Leader POV



“AI can certainly support I&D efforts, but it can’t take the place of human judgment. It’s crucial to make sure that AI-generated outputs are relevant and meet the intended objectives. That’s why we still need that human touch to check and validate what AI brings to the table.”

— Farzeen Mawji, National Practice Leader, Inclusion & Diversity



Integration with career and succession planning

A commitment to merit and inclusivity enhances organizational performance and builds a workplace where everyone can thrive. The goal is to inspire individuals to perform at their best, creating an environment that empowers rather than disenfranchises. Organizations should aim for a balanced approach that emphasizes equity without relying on rigid targets or quotas. Equity involves increasing access to opportunities and demonstrating capabilities, ultimately benefiting the business by attracting and rewarding high-caliber talent.

Integrating I&D policies into career and succession planning can help achieve this. Currently, less than a third of employers (32%) have implemented such measures, highlighting a critical opportunity for growth. This practice is more prevalent among large employers (40%) compared to small ones (27%), but organizations of all sizes can benefit. By developing strategies that identify where diversity is strong and where it diminishes, employers can cultivate future leaders with diverse perspectives, experiences and skills.

Transparent and accessible succession planning enhances diversity at all levels and increases employee retention by providing clear pathways for career advancement. When employees see a clear trajectory for growth and development, they're more likely to remain engaged and committed to the organization. This clarity in career progression mitigates feelings of disenfranchisement and helps ensure that all employees, regardless of their background, have equal opportunities to succeed and contribute meaningfully to the organization's goals.

Integrating I&D into these processes not only aligns with organizational values but also enhances performance by utilizing the full spectrum of available talent. By embracing diversity in career and succession planning, employers can develop a dynamic and innovative workplace that attracts, nurtures and retains top talent, ultimately fostering a thriving and successful business.

A commitment to merit and inclusivity enhances organizational performance and builds a workplace where everyone can thrive.



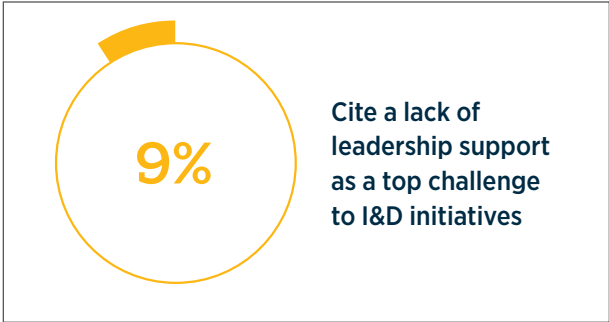
| Benefits of Integrating I&D Policies into Career and Succession Planning |
|--|
| • Enhances organizational performance |
| • Promotes equity and access |
| • Cultivates diverse leadership |
| • Improves employee retention |
| • Mitigates disenfranchisement |

Gauging success

To confirm that I&D initiatives are progressing effectively, it's essential to cultivate an environment that prioritizes shared experiences and collective gains over individual fears and concerns. Successfully integrating I&D into an organization involves identifying commonalities among people and leveraging these connections to create a more cohesive and supportive workplace. By shifting the focus from the fear of loss to recognizing the advantages of a diverse and inclusive environment, organizations can foster a culture that thrives on empathy and mutual respect.

A promising indicator of I&D's positive trajectory is the robust support from management, with only 9% of employers citing a lack of leadership support as a challenge. This underscores the importance of leadership interest and advocacy in driving I&D success. When leaders actively engage in and promote I&D initiatives, they set a precedent for the entire organization, encouraging employees to adopt inclusive behaviors and values.

Ultimately, the success of I&D initiatives depends on the ability to unite employees around shared goals and experiences. When employers achieve this, inclusive environments begin to develop organically and sustainably, leading to enhanced employee engagement and retention. By nurturing a culture of empathy and inclusiveness, employers help ensure that their I&D efforts are not only on the right track but are also effecting meaningful and lasting change.



When leaders actively engage in and promote I&D initiatives, they set a precedent for the entire organization, encouraging employees to adopt inclusive behaviors and values.

Key takeaways

IN INCLUSION & DIVERSITY

1

Alignment with operational priorities

Despite misconceptions, many employers are refocusing rather than scaling back their I&D efforts, with three-quarters implementing initiatives in 2025. Integrating I&D into operations through a merit-based approach helps ensure transparency and fairness, enabling employees to feel secure about their future.

2

Alignment with HR priorities

I&D are essential for achieving top HR priorities such as retaining talent, training and developing employees, and creating a strong culture. By focusing on I&D, employers not only enhance employee satisfaction and engagement but also address mental health and wellbeing concerns, ultimately reducing stress and boosting productivity.

3

Impact on turnover

Employee turnover negatively impacts productivity and financial performance, but I&D initiatives can mitigate these effects by fostering a workplace where employees feel recognized and valued. Employers often struggle with implementing effective I&D strategies due to resource constraints, highlighting the need for strategic investments.

4

Top challenges

I&D initiatives face challenges like limited internal support, funding and engagement, along with insufficient data for impact measurement. To address these issues, organizations should integrate I&D across all levels, embedding it into core practices to promote inclusivity and drive long-term success.

5

Role in navigating uncertainty

In 2025's economic uncertainty, I&D stabilizes organizations by reducing turnover and enhancing resilience through respectful dialogue and diverse thinking. Emotional and career wellbeing initiatives, including ERGs, further demonstrate a commitment to an inclusive culture that supports engagement and retention amid market shifts.

6

Innovation opportunities

Employers can innovate their I&D strategies by incorporating them into employee benefits and training, areas currently underutilized, and leveraging AI as a complementary tool to enhance inclusiveness. By analyzing past successes and gaps, they can develop new approaches that transcend traditional I&D silos.

7

Integration with career and succession planning

Integrating I&D into career and succession planning enhances organizational performance by creating a workplace that attracts and retains top talent while providing clear pathways for career advancement to all employees. With less than a third of employers adopting these measures, there's considerable potential for growth.

8

Gauging success

To help ensure the success of I&D initiatives, employers should focus on creating a culture that emphasizes shared experiences and collective benefits over individual fears and concerns. With empathy, inclusiveness and strong leadership advocacy, employers can organically develop sustainable environments that result in meaningful and lasting change.

Endnotes

EMPLOYEE ENGAGEMENT

¹Workforce Experience Survey Benchmarking Database, *Gallagher*, 2025.

INCLUSION & DIVERSITY

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²“2023 Work in America™ Survey,” *American Psychological Association*, accessed Mar 2025.

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About Gallagher

You and your people are at the center of all we do.

Gallagher specializes in maintaining the critical link between people’s wellbeing and organizational success through people strategies for benefits, financial and talent programs that deliver results.

As employees across all geographies, industries and employer types navigate an evolving global employment landscape, organizations are evaluating and enhancing the workplace experience. Finding new ways to engage and connect with their people is essential to fostering organizational wellbeing. Offering robust medical coverage and a reliable retirement plan isn't enough in today's competitive labor market. A holistic approach to organizational wellbeing — including benefits, compensation, retirement, employee communications and workplace culture — can help align your people strategy with your business goals.

Partnering with a team that grasps your daily challenges and understands the expectations of leadership can help you foster productivity and growth that directly support your strategic goals. Gallagher brings informed analysis and insights, benchmarked against industry standards using country-specific data sources, to help you anticipate and stay ahead of workforce trends and risks.

Our global digital and consulting solutions are designed to support your workforce at cost structures you can sustain — while helping employees engage in their work and achieve outcomes that matter most to your organization. Using proprietary technology platforms, we help you gain a better understanding of your employee populations and make informed decisions when it comes to managing costs, connecting with your employees and achieving measurable results.

When employees enjoy their work, appreciate their benefits, and feel informed and connected, their confidence and trust in your organization grows. This fosters positivity, boosts retention, enhances customer interactions and drives overall prosperity.

Gallagher helps you invest in and sustain a workplace culture offering growth and potential. The return on that investment? Drawing new talent and inspiring employees to deliver their personal and professional best. Let’s work together to understand your priorities and develop a proactive people strategy to achieve your goals, empowering you to navigate the future with confidence.

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