



Empowering Small Businesses: Modern Solutions for Employee Benefits and HR Operations

Innovative benefit strategies are helping organizations strengthen employee engagement, improve retention and stay competitive. By combining personalization, flexibility and technology, companies can create a culture where people feel valued and supported.

Small businesses face significant challenges in offering competitive employee benefits and managing HR operations. They contend with rising costs and limited resources and compete with larger organizations that can provide broad benefits packages to attract and retain talent.

However, a new wave of innovative and adaptable solutions is emerging, enabling small businesses to embrace new possibilities.

Just how do these modern solutions differ? They offer greater flexibility, scalability and cost-effectiveness, allowing owners to streamline their HR operations while freeing up valuable time and human capital. By leveraging these tools, companies can achieve significant operational efficiencies and enhance the employee experience.



Source: Gallagher

Countering the three "Cs": Cost, capacity and complexity

Small businesses face three primary challenges in managing employee benefits:

- **Rising costs:** Unlike larger organizations, small businesses often can't negotiate more competitive rates or access tailored benefits. This limitation makes it difficult to control costs while maintaining a competitive program that offers new coverage options and keeps pace with consumer preferences.
- **Limited capacity:** Small business employees often wear multiple hats, juggling everything from operations to payroll to benefits. A recent Gallagher poll found that 46% of small business HR teams have very little to no capacity to take on new work.¹ Benefits administration lacks the dedicated resources needed to manage compliance and provide a more optimal employee experience.
- **Added complexity:** While state-mandated retirement plans help expand access to retirement savings, they often come with limitations. For example, employer contributions aren't included in these plans.



“Small business owners often feel the weight of high costs from managing benefits administration, particularly due to manual processes for onboarding and eligibility changes. However, these challenges can be overcome by embracing innovative solutions.”

Dean Clune, Divisional VP, Small Business Solutions, HR and Benefits Division

Modern solutions for modern problems

Today's marketplace offers tools and strategies to help small businesses achieve excellence. By combining the right benefit models, HR knowledge and technology, small businesses can achieve measurable gains in efficiency, cost control and talent retention.

1. Individual Coverage Health Reimbursement Arrangements

An Individual Coverage Health Reimbursement Arrangement (ICHRA) allows employers to give employees a defined monthly allowance to purchase their own health insurance policies. ICHRAs create flexibility for employees to select plans that fit their unique needs, whether the employee is a single young professional or supporting a family with complex medical requirements.

Why they work:

- Defined contribution strategy for predictable budgeting
- Customization for diverse employee needs
- Tax-free contributions are for both employer and employee

“ICHRAs eliminate the one-size-fits-all approach of traditional group health plans, making them an attractive option for small businesses looking to offer competitive benefits.”

Kaleb Holt, Division Vice President, Health Pools, Trusts and Coalitions, Gallagher

2. Pooled Employer Plans

A powerful new solution for retirement benefits, Pooled Employer Plans (PEPs) allow multiple, unrelated employers to participate in a single 401(k) plan. This collective approach helps small businesses gain economies of scale, reducing the administrative burden and costs associated with sponsoring a retirement plan.

Advantages of PEPs:

- Reduced administration and compliance
- Competitive investment options
- Increased potential to attract and retain talent

“Smaller employers should consider several plan options for retirement benefit coverage including SIMPLE IRAs, traditional 401(k)/403(b) plans, state plans (where mandates are in place) and leverage the SECURE Act's new provisions to expand retirement benefits cost-effectively through PEPs.”

Molly Beer, National Practice Leader, Retirement — Defined Contribution, Gallagher

Other financial benefits that small employers can consider include emergency savings accounts, health savings accounts, stress management services, long-term care planning resources, supplemental life and disability insurance coverage, advice services and financial planning.



The power of collective purchasing power

A chamber of commerce in the Midwest partnered with Gallagher to develop a group purchasing strategy for its members.

The solution: By pooling resources, chamber members accessed a level-funded insurance product at a 5% lower cost than they would have individually.

The result: Not only did the chamber of commerce experience significant savings, the pooled plan benefits also became a valuable tool for recruiting and retaining chamber members.

3. Fractional HR services

These solutions offer small businesses a flexible and cost-effective way to access HR support. Instead of hiring a full-time HR professional, a fractional HR provider allows companies to bring in experienced specialists only when they need them.

This model is beneficial for small businesses that can't justify the expense of a full-time HR salary and benefits. Services can scale up or down based on project needs or seasonal demands, such as open enrollment or compliance audits.

“By providing access to high-level HR experience on a part-time or project basis, fractional HR solutions empower organizations to optimize their talent strategies without the expense of hiring full-time HR staff.”

Angela McDermott, National Managing Director of HR and Organizational Effectiveness, Gallagher

4. Leveraging HR technology

HR technology is affordable and accessible for small businesses, offering powerful tools that automate and streamline HR tasks. These tools can automate administrative work, improve compliance and provide actionable data for decision-making. The shift to increased automation of HR processes is allowing small businesses to manage their workforce efficiently and focus on growth.

Essential HR technology tools include a human resources information system (HRIS), which centralizes employee data for easier compliance and reporting. An applicant tracking system (ATS) automates résumé screening and interview scheduling to improve recruitment efficiency.

Other key tools include payroll solutions, which simplify payroll management and integrate with other HR tools, and compliance technology to help small businesses stay up to date on federal, state and local labor laws.

Strategic benefits to meet employee needs

Forty-five percent of small business employers have a strategy for improving employee engagement.² By adopting a strategic approach to employee benefits and HR operations, businesses can change how employees feel about their workplace, making it easier to attract and keep top talent.



45% of small business employers

have a strategy for improving employee engagement.

Source: Gallagher

As Clune states: *"Benefits administration platforms simplify the deployment of voluntary benefits. This enables employers to expand their programs without increasing employer costs, while delivering a personalized and enhanced employee experience."*

By aligning benefits strategy with employee needs, small businesses can create a workplace that stands out and drives long-term success. Here's why it matters:

- **Attracting top talent:** In a competitive job market, a robust and flexible benefits package is a powerful differentiator. By offering customized health plans through an ICHRA or a competitive 401(k)/403(b) via a PEP, you can compete with larger organizations for the best candidates.
- **Improving engagement:** When employees feel their individual needs are met, they're more likely to be invested in their work and remain loyal. Modern benefits and a streamlined HR experience demonstrate that you care about their wellbeing.
- **Making data-driven decisions:** Integrated HR technology provides valuable data on many different areas, from benefits utilization to employee demographics. The insights can improve decision-making, ensuring your offerings are aligned with employee needs.

Top tips from our consultants

Implementing new benefits and HR solutions can be daunting for small business owners. Here is some guidance to help ensure success:

- **Keep options simple:** Avoid overwhelming employees with too many choices. Focus on offering high-quality benefits that meet their needs.
- **Leverage group purchasing power:** Collaborate with a local trade association or chamber of commerce to access collective buying power and reduce costs.
- **Communicate effectively:** Highlight the value of benefits through simple, clear communication. As an example, Gallagher helped a small engineering firm create a one-page document summarizing their financial benefits, tools and resources, making it easy for employees to understand and access their options.
- **Partner with a consultant:** Work with a benefits broker or consultant who specializes in advising small businesses. They can help navigate the complexities of benefits administration and identify cost-saving opportunities.



Future-proof your workforce

The HR benefits landscape is evolving quickly. Embracing modern solutions is not just a cost-cutting measure but a strategic asset that can transform how small businesses compete for talent.

When you are ready to explore these new approaches, start by defining your goals:

- What do you want to accomplish with your benefits offering?
- Are you meeting your employees' current and future needs?

With careful planning, the right partners and a willingness to rethink traditional models, you can create cost-effective benefits and HR strategies that strengthen your workforce for the future.

Our specialists are on hand to help you build the most appropriate benefits package. [Contact one of our small business leaders today!](#)

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1. Sources

¹Organizational Wellbeing Poll: What's Hot in People, Tech and Benefits? *Gallagher*, Dec 2024. Unpublished.

²[2025 US Benefits Strategy & Benchmarking Survey](#). *Gallagher*, Mar 2025.

2. Disclaimer

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