CARE Governance: The Logical Evolution of Well-Being and Human Capital Management

Description

Never before has board oversight of human capital management — and employee well-being specifically — been more important or relevant to corporate governance and performance.

In today’s complex and constantly changing environment, effective board members increasingly care whether company employees have an obesity problem, diabetes, high blood pressure, unusual levels of heart disease or mental health issues. They also are concerned if employees lack access to health care, are not earning a living wage or are not saving enough for retirement. They are troubled with low levels of employee engagement or job satisfaction; opportunities for advancement; physical safety; respect and dignity; and fair pay.

To what extent is it a board member’s job to dig into these workforce issues, versus financial and stock price performance, strategy, risk management, executive pay and high-level succession planning? If the company is struggling financially or facing intense market headwinds, it can be difficult to devote time to cover employee health and well-being. Yet it is particularly important to do so in such circumstances, given that challenging times for the company typically are also challenging times for employees.

While financial, strategic and risk decisions typically receive the most attention from board members, data and research continue to suggest that healthy, engaged, financially secure employees perform better, are more productive, make better decisions and drive better results. Therefore, how does a board make sure that people issues are addressed on a regular cadence, comprehensively and without taking inordinate time?

We’d like to introduce a simple mnemonic: “CARE Governance.” In the intense and time-pressured boardroom environment, mnemonics are handy when trying to ensure the right things are being covered and discussed. CARE stands for “compensation and benefits, advancement, retirement and experience.”
CARE Governance

**Compensation and benefits** includes base pay, annual incentives, long-term incentives and employee health care benefits. These core, high-cost elements of human capital typically receive a high level of regular attention from boards and generally are studied and evaluated regularly and thoroughly by the compensation or expanded-remit human capital committee.

**Advancement** includes succession planning, management development, skill availability, preparing workforces for the future, retention and turnover. Portions of these topics receive regular attention from the board through the nom/gov committee or the compensation (or human capital) committee, but others do not.

**Retirement** includes all wealth-creating defined benefit and defined contribution plans, as well as any other qualified and nonqualified plans, such as employee stock purchase plans or excess benefit plans. These also represent core high-cost programs that are well governed by most companies, usually by the audit committee or compensation (or human capital) committee.

**Experience** includes actual conditions of the employee population and such areas as work environment, work location, remote/hybrid arrangements, work content, relationships with colleagues, managerial effectiveness, inclusion, belonging and dignity. These represent areas of employee well-being that board members generally say they care about but too often do not receive the attention they require and often are not assigned to specific committees.

When taken together, the elements of CARE impact the four categories of employee well-being and their metrics:

- **Physical well-being.** Employees thrive physically and are able to understand and manage their health. They take appropriate preventive measures to maintain or improve their health and they effectively deal with chronic conditions.

  *Sample board measures:* Percentage of employees covered by health care, absenteeism, presenteeism, well-being program participation, total cost of ill-being, chronic care management, productivity, and employee health and safety.

- **Emotional well-being.** Employees are emotionally-balanced, self-aware — and able to develop positive mental health skills — including resilience, stress management and the ability to cope with emotional triggers.

  *Sample board measures:* Percentage of employees covered by behavioral health care, employee assistance program usage, behavioral health service access, use of paid time off, stress barometers, resilience training and emotional health indices.

- **Financial well-being.** Employees have financial resilience and can manage personal budgetary commitments, meet financial goals, protect against risks and save for contingencies and future needs (such as care-giving, college, home ownership or retirement).

  *Sample board measures:* Retirement readiness by age, financial literacy indices, retirement plan contribution levels, percentage of employees living below the poverty level and percentage of
employees with second (or third) jobs.

- **Social well-being.** Employees are connected to work, family, community and their individual purpose. They understand how to support and collaborate with others as well as how to accept and foster diversity and dignity.

*Sample board measures:* Inclusion and diversity measures, percentage of employees working remotely, employee engagement, leadership trust and workplace dignity measures.

Every C-suite has — or can access — data on employee well-being that can be shared with the board. Unfortunately, not all relevant information floats to the top unless board members ask for it. To extend the CARE governance theme, effective board members *care* about employee well-being and other issues that may not represent traditional board-level issues (but may soon). A new generation of board members has led governance into new territory in areas such as DEI and pay equity. Broader concern about employee well-being will bring these core issues to the forefront, improving the quantity and quality of data for effective governance and performance oversight.

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