

2021

**WORKFORCE TRENDS
REPORT SERIES**

PUBLIC ENTITY

Findings and insights from the 2021 Benefits Strategy
& Benchmarking Survey

U.S. Edition



Gallagher

Insurance | Risk Management | Consulting

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Introduction

Over the last year and a half, COVID-19 has been the dominant priority for most in the public sector. Many business leaders realized they're only as strong as their people. And as the economy recovers, employers are shifting their focus to attracting, engaging and retaining that vital talent.

That's why wellbeing is at the center of Gallagher Better WorksSM, our comprehensive approach that aligns your people strategy with your overall business goals. It focuses on the full spectrum of organizational wellbeing—taking a strategic approach to investing in employee wellbeing at the right cost structures to support diverse workforce needs.

As part of our Workforce Trends Report Series, this addendum highlights key findings and implications based on 338 public entities that participated in our 2021 Benefits Strategy & Benchmarking Survey.

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.



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Benefits Strategy & Benchmarking Survey Public Entity Participant Profile



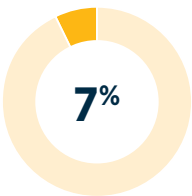
338

Public entities

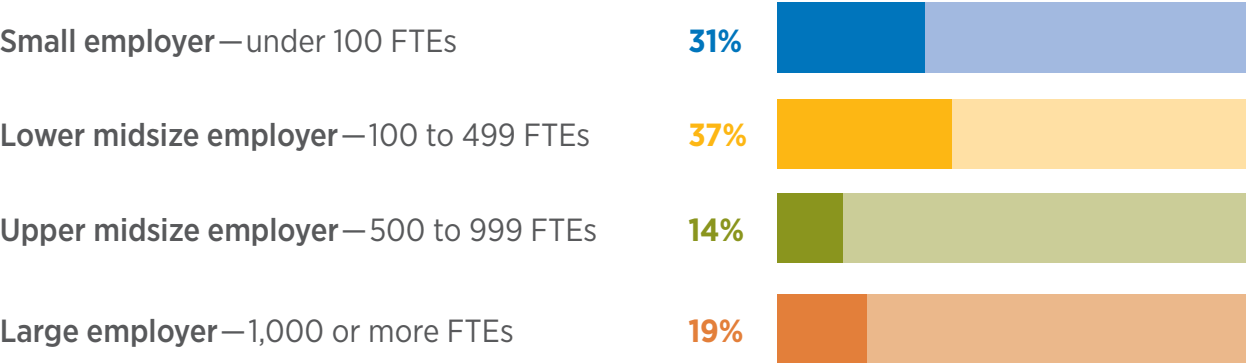
Type of public entity



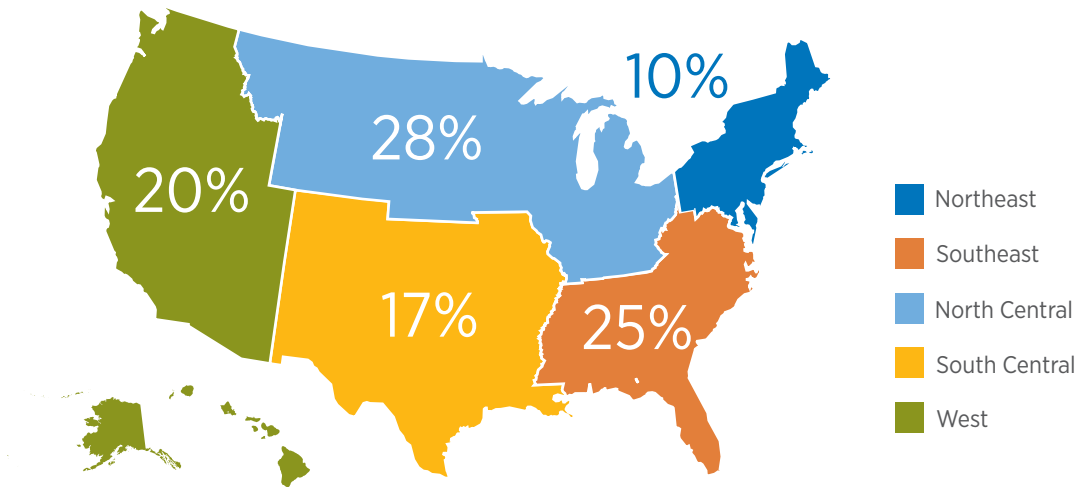
Ownership structure



Workforce size—full-time equivalents (FTEs)



Geography



Key Takeaways for Public Entity Employers

People & Organizational Wellbeing Strategy



A carefully constructed compensation and benefits strategy is pivotal for maintaining an engaged and productive workforce.

Physical & Emotional Wellbeing



Cost-saving opportunities are available through tactics focused on enhanced specialty drug controls and better access to voluntary benefits.

Career Wellbeing



Engagement strategies are underutilized, as are communications related to compensation philosophy.

Financial Wellbeing



An adverse relationship between employee stress and financial wellbeing should not go left unchecked.

Organizational Wellbeing



The continuing need to holistically support employee wellbeing is clear, but it requires a proactive, data-driven approach supported by leadership and clear communication.

People & Organizational Wellbeing Strategy

Maintain an engaged and productive workforce.

As expected in the current labor market, attracting and retaining a competitive workforce is the highest priority for both HR and operations. But in order to be good stewards of taxpayer dollars, public entities are also looking to stabilize employee benefit costs.

To drive better outcomes, organizations need to be open to new ideas and attentive to the changing needs of their multigenerational employees as they assess and adjust their total rewards. Taking a long-range view when planning—guided by key priorities, organizational goals and an understanding of where employee values lie—allows public entities to build in resilience to change.

Adopting and further utilizing HR technology may also help. A strong infrastructure allows active employees and retirees to more easily access and use HR resources, and can also help alleviate administrative burden.



Top operational priorities

- 1 Attracting and retaining a competitive workforce
- 1 Controlling employee benefit costs
- 3 Maintaining or decreasing overall operating costs
- 4 Ensuring employee health and safety
- 5 Managing or reducing risk

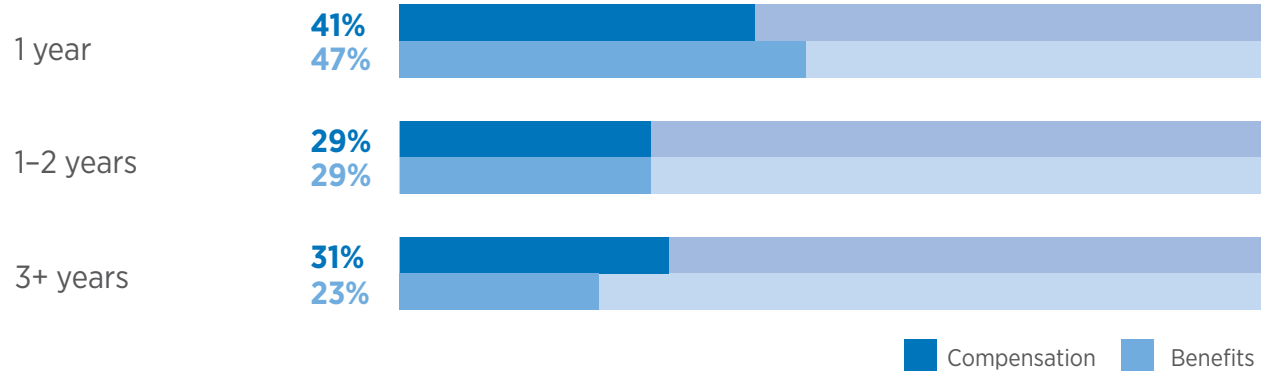


More
than

2 in 3

Expect to expand or replace HR technology—or both—by 2023

Compensation and benefits planning horizon



Turnover rate of 10% or more in 2020



Actual



Targeted

Change in annual employer-paid benefit costs since 2019



Increased



Decreased

28% Expect to increase workforce headcount by 2022

Physical & Emotional Wellbeing

Align cost-saving opportunities with innovative solutions.

Public entities are looking for outside-the-box solutions to relieve cost pressures without shifting further financial responsibility to employees. Yet many are missing opportunities in their pharmacy benefit offerings to manage the use and costs of specialty drugs like copay maximizer programs. Employers should also be taking a hard look at agreements and contracts with third parties, paying close attention to the appropriateness of discounts.

Increasingly diverse workforces amplify the desire for choice within benefit offerings. Because of this, public entities often offer multiple plan choices. But for a sector that's so reliant on tax revenue, voluntary benefits also deserve another look. These options allow employers to achieve their benefit objectives at a minimal expense, while providing their employees with an added measure of financial protection, cost savings and greater peace of mind.



Top healthcare cost-management challenges

1 High cost of medical services

2 High cost of specialty drugs

3 Unhealthy covered population (employees and dependents)

4 High cost of prescription drugs (non-specialty)

5 Low or no use of the most cost-effective health options (network providers, generic drugs, etc.)

71% Offer 2 or more medical plans

More than 6 in 10

Did not increase employee cost share at the most recent renewal

Tactics employed to manage the use and costs of specialty drugs

4%

42%

Use a copay maximizer None or don't know

Top reasons for offering voluntary benefits

Provide comprehensive benefit packages

70%

Fill gaps in coverage

58%

Offer financial protection to employees

51%

Most commonly offered voluntary benefits

Accidental death and dismemberment

86%

Stand-alone vision plan

77%

Accident insurance

68%

Career Wellbeing

Rethink compensation strategies to address the talent shortage.

Engagement influences opportunities and outcomes for the organization, including enhanced operational and business performance, as well as reduced voluntary turnover. Inviting employees to individually share their thoughts and opinions demonstrates genuine concern about the employee experience.

While compensation doesn't drive engagement, it plays an important role in optimizing it. Employees' understanding of how compensation programs work is strongly linked to their satisfaction. It also directly impacts their beliefs about their value to the organization and their trust in leadership. A clear and complete statement about compensation philosophy serves as the basis for a consistent and equitable approach. It's also a guidepost for recruiting and retaining talent, and responding to pay inquiries.



Top tactics used to increase engagement

1

Give timely and constructive feedback

2

Communicate in a way that fosters trust and confidence

3

Define clear performance goals

1 in 3

Provide total compensation statements

Less than 1 in 2

Have a strategy to improve employee engagement

Have conducted a survey to measure workforce engagement

Yes, before 2019

13%

Yes, in 2019 or 2020

29%

No, but plan to by 2023

25%

No, and have no future plans

33%

46% Believe their workforce is highly engaged

42% Use engagement surveys to measure employee communication success

Total rewards aspects enhanced to meet recruitment and retention objectives

72%

Base salary

51%

Medical benefits

43%

Wellbeing initiatives

Financial Wellbeing

Develop a strategy to effectively relieve employee financial anxiety.

Financial stress can be a major distraction and often hurts productivity. So as a byproduct of the pandemic, many public entities intensified their already growing focus on employee financial wellbeing.

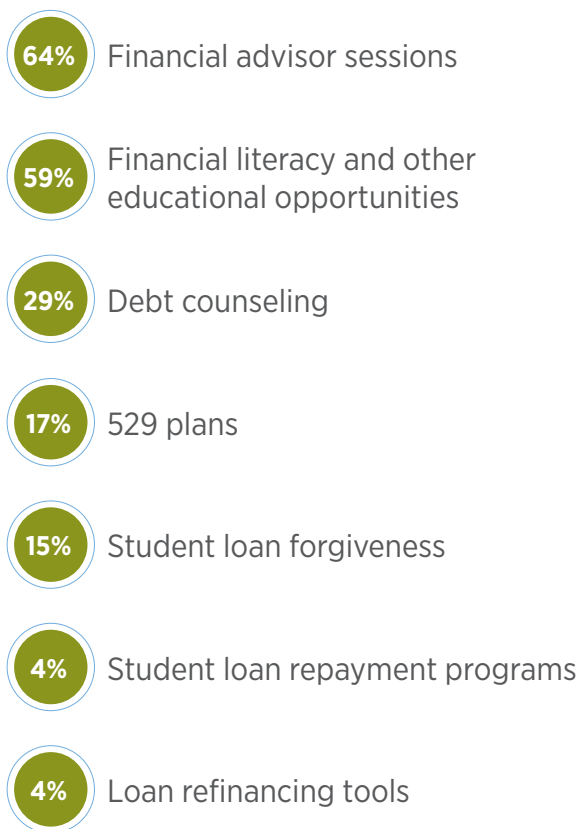
If appropriately positioned, state pension programs—and the financial security they offer—can serve as an attraction and retention tool. And while retirement is often the focus of financial wellbeing programs, it's also important to ensure that other efforts help employees meet a diverse range of both saving and spending goals.

A majority of those in the public sector offer at least one financial wellbeing initiative. Most commonly this includes access to financial advisors and education, but employers should also consider including services like debt counseling and loan refinancing tools.



Financial Wellbeing

Financial wellbeing programs and resources offered



97% Have a retirement program

1 in 2

Indicate financial wellbeing has become more important since 2019

Methods used to promote better savings habits

49%

Auto-enrollment

5%

Auto-escalation

Most common active retirement plans

Defined benefit (pension) **72%**

457 **58%**

401(k) **33%**

Percentage of employee contribution matched

Less than 25% **30%**

50% **5%**

100% **54%**

Organizational Wellbeing

Take a proactive, comprehensive approach to supporting the whole health of employees.

Employers can only achieve the full potential of employee wellbeing by integrating its physical, emotional, career and financial aspects. There's a clear link between whole health, engagement and productivity. And right now, focusing on emotional wellbeing in particular is especially important to help reduce stress and burnout in the workforce.

Yet many public entities are still taking a reactive approach to wellbeing, adding solutions in an ad hoc manner to address needs. Leveraging data can help provide an accurate depiction of employee and organizational health. And when the approach to wellbeing is supported by leadership and clear communications, employers secure a better future by delivering a better employee experience.



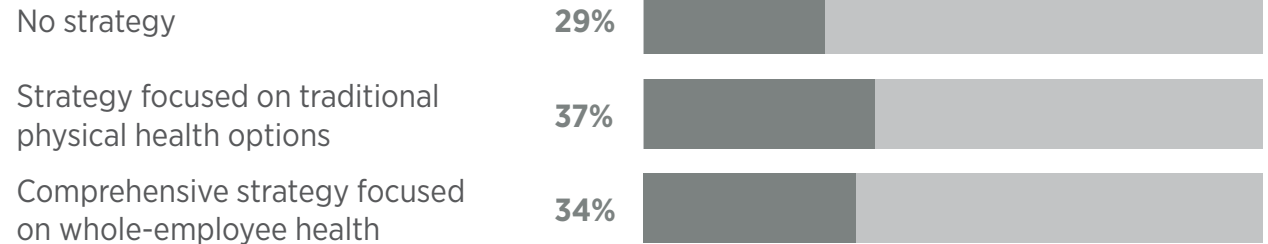
Only about **1 in 3**

Think their organization's communication with employees creates tangible results or behavior change

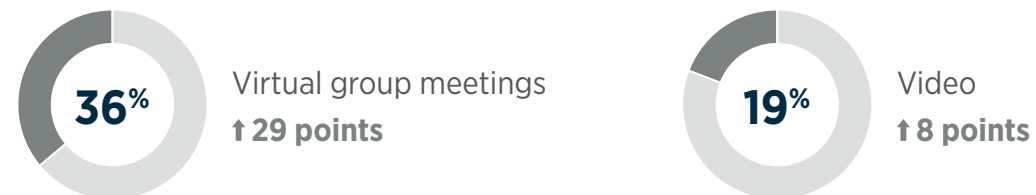
Emotional wellbeing programs and resources offered

- 95%** Employee assistance programs
- 66%** Wellness committee or wellness champions
- 59%** Flexible work arrangements
- 50%** Classes to promote emotional wellbeing

Scope of the wellbeing strategy



Use of digital communication tools—2021 vs. 2020



44% Agree their organization has an effective strategy to create or sustain a culture of total wellbeing

63% Increased prioritization of the social aspects of emotional wellbeing over the last two years

Final Remarks

The major disruptions of the pandemic have created a unique opportunity for those in the public sector. In addition to continuing to embrace technology, adopting more strategic approaches to total rewards and communication can improve engagement and better position public entities for the future.

Stepping outside of the norm, it's essential to make decisions informed by workforce preferences. This requires a platform for employee feedback, and intentional efforts to understand the demographics of the workforce and their unique needs.

Successful attraction and retention efforts are contingent upon treating employees with respect and trust, conveyed through programs and policies that are comprehensive, formalized and aligned with organizational strategy.

Taking a more holistic and comprehensive approach to employee wellbeing and communication will optimize investments in total rewards and foster better connectivity of individual contributions to organizational success.

For additional insights and custom benchmarking on the latest trends impacting public entities, contact your local Gallagher consultant.

About Gallagher

Pursuing “better” is an ongoing journey. Employers of all shapes and sizes, in all parts of the world, are acutely aware that people’s changing expectations demand more from the organizations and brands they invest in. And nowhere is one person’s investment—and their expectation for better—more apparent than in their choice of employer.

Now more than ever, employers have an opportunity to secure a better future by delivering a better employee experience. Building a workplace that works better means helping your employees succeed by supporting their ability to invest more fully in themselves, their communities and their organization’s wellbeing.

Gallagher Better WorksSM is a comprehensive approach to your people strategy that aligns the diverse expectations of your employees with your overall business goals, at the right cost structure. Using data-driven insights, you’ll be empowered to recruit, retain and retire vital talent through intentional, sustainable investments in your employees’ physical, emotional, financial and career wellbeing.

Your people excel when you purposefully cultivate the employee experience—with benefits, compensation, HR programs, and ways of working that help energize and balance all aspects of their lives. Create a sense of belonging, purpose and trust with an approach that’s rooted in the wellbeing of your people. That’s how you keep moving toward your better—ensuring your organization can thrive—even in times of uncertainty.



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