

**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

# TABLE OF CONTENTS

---

<b>3</b>	INTRODUCTION
<b>5</b>	KEY TAKEAWAYS FOR PUBLIC ENTITY EMPLOYERS
<b>6</b>	PEOPLE & ORGANIZATIONAL WELLBEING STRATEGY
<b>8</b>	PHYSICAL & EMOTIONAL WELLBEING
<b>10</b>	CAREER WELLBEING
<b>12</b>	FINANCIAL WELLBEING
<b>14</b>	ORGANIZATIONAL WELLBEING
<b>16</b>	FINAL REMARKS
<b>17</b>	ABOUT GALLAGHER



# 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 Works<sup>SM</sup>, 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.



**Wes Grigston**

Regional Director, Public Sector & K-12 Education  
Wes\_Grigston@ajg.com

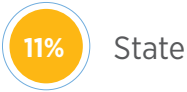
# Benefits Strategy & Benchmarking Survey Public Entity Participant Profile



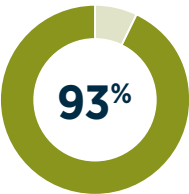
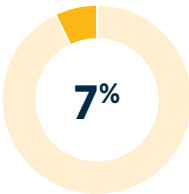
338

Public entities

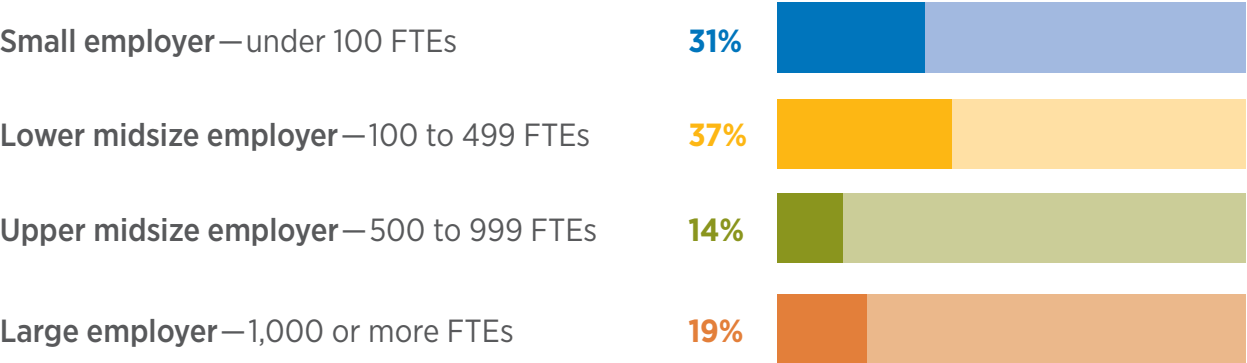
## Type of public entity



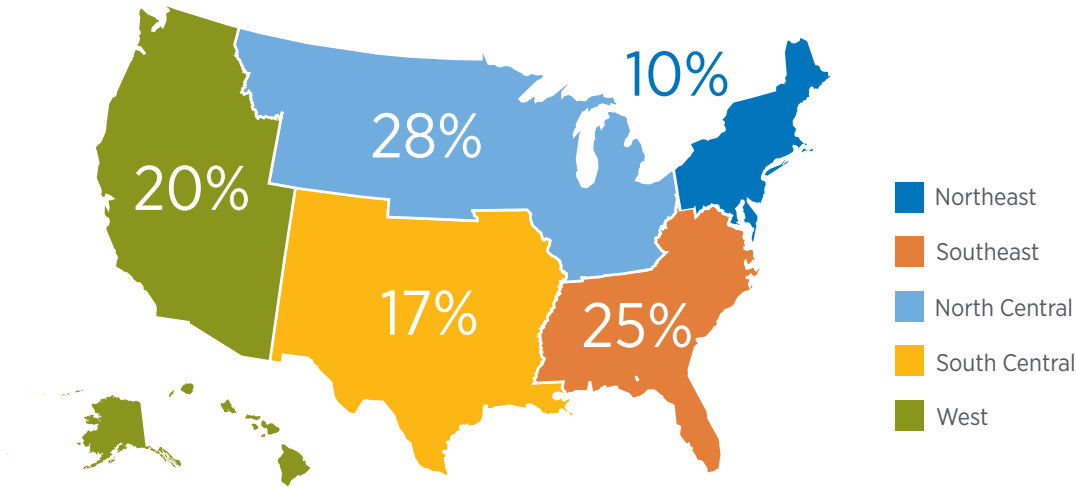
## Ownership structure



## 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.





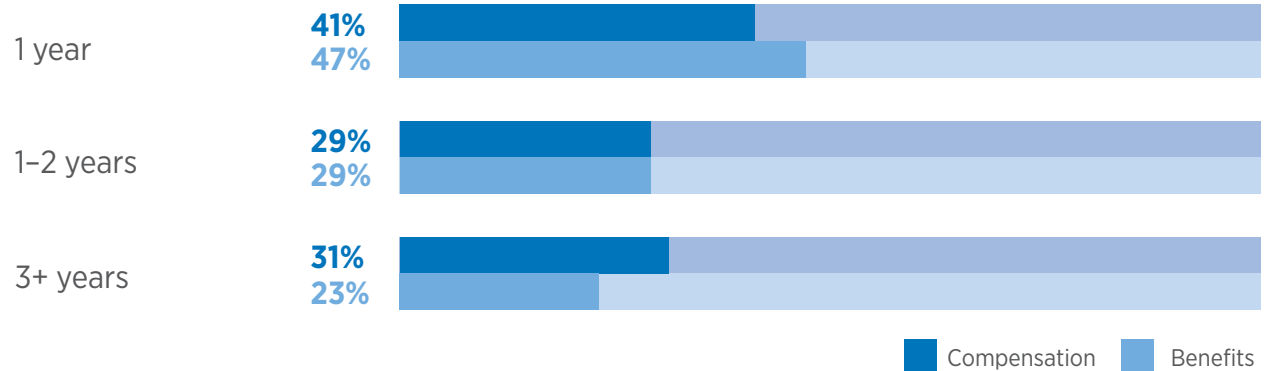
## Top operational priorities

- 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.

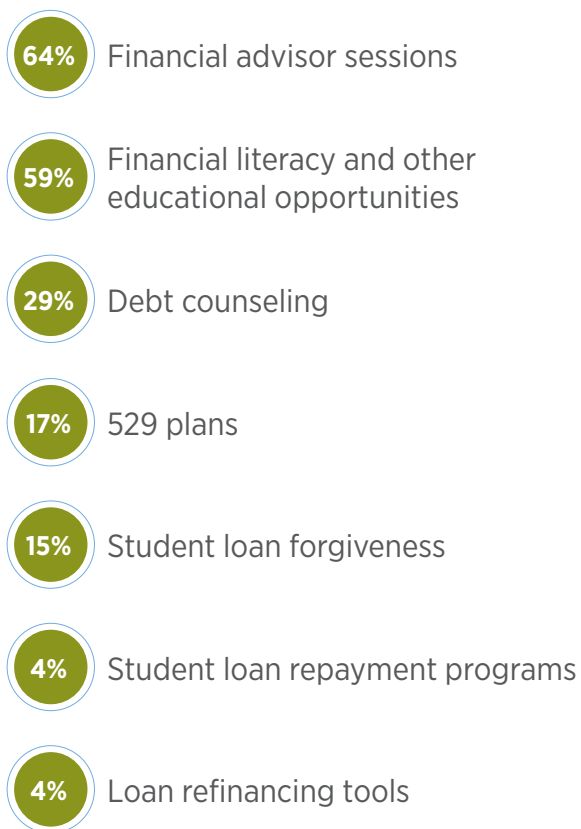
If appropriately positioned, state pension programs—and the financial security they offer—can serve as an attraction and retention tool. And while retirement is often the focus of financial wellbeing programs, it's also important to ensure that other efforts help employees meet a diverse range of both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



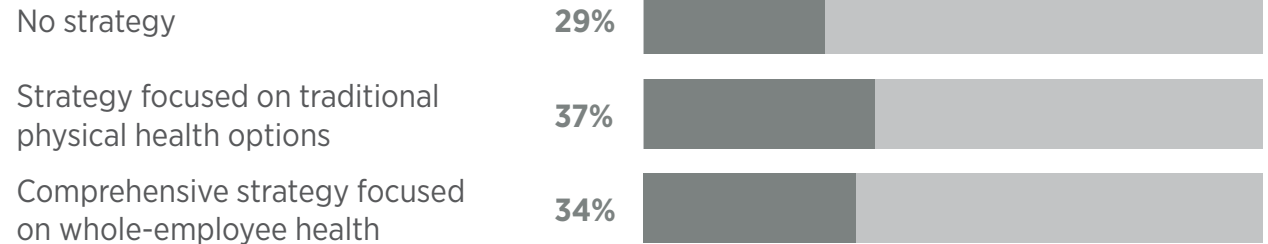
Only about **1 in 3**

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

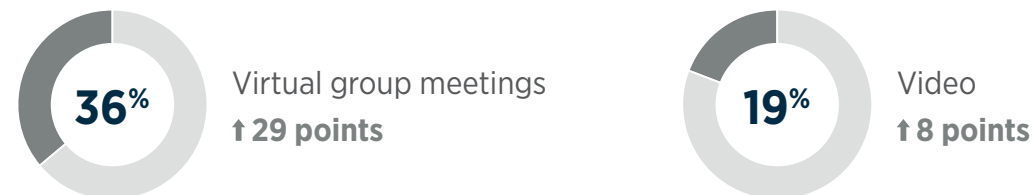
## Emotional wellbeing programs and resources offered

- 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 Works<sup>SM</sup> 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.





# TERMS OF USE

The intent of these Surveys is to provide you with general information regarding current practice within the employee compensation and benefits environment. The data does not constitute recommendations or other advice regarding employee compensation or benefit programs, and the user is in no way obligated to accept or implement any information for use within their organization(s). The decision to utilize any information provided rests solely with the user, and application of the data contained does not guarantee compliance with applicable laws or regulations regarding employee compensation or benefits. Information provided by these Surveys, even if generally applicable, cannot possibly take into account all of the various factors that may affect a specific individual or situation. Additionally, practices described within the Surveys should not be construed as, nor are they intended to provide, legal advice.

The Web Site and the Content do not constitute accounting, consulting, investment, insurance, legal, tax or any other type of professional advice, and should be used only in conjunction with the services of a Gallagher consultant and any other appropriate professional advisors who have full knowledge of the user's situation.

Gallagher does not represent or warrant that the Content will be correct, accurate, timely or otherwise reliable. Gallagher may make changes to the Content at any time. Gallagher assumes no responsibility of any kind, oral or written, express or implied, including but not limited to fitness for a particular purpose, accuracy, omissions and completeness of information. Gallagher shall in no event whatsoever be liable to licensee or any other party for any indirect, special, consequential, incidental, or similar damages, including damages for lost data or economic loss, even if Gallagher has been notified of the possibility of such loss. For the purposes of this section the term "Gallagher" shall be construed so as to include Gallagher Surveys as a marketing division and/or Gallagher Benefit Services, Inc. and its affiliates.

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc., a non-investment firm and subsidiary of Arthur J. Gallagher & Co., is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services." Certain appropriately licensed individuals of Arthur J. Gallagher & Co. subsidiaries or affiliates offer securities through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC and or investment advisory services through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. Neither Kestra IS nor Kestra AS is affiliated with Arthur J. Gallagher & Co., or Gallagher Benefit Services, Inc. Neither Kestra AS, Kestra IS, Arthur J. Gallagher & Co., nor their affiliates provide accounting, legal, or tax advice. GBS/Kestra-CD(3763466)(exp092022).

Investor disclosures <https://bit.ly/KF-Disclosures>

For institutional use only. Not for public distribution. All rights reserved. No part of this book, including the text, data, graphics, interior design and cover design may be reproduced or transmitted in any form, without explicit consent from Arthur J. Gallagher & Co.



Insurance | Risk Management | Consulting



[ajg.com](https://ajg.com) The Gallagher Way. Since 1927.

"World's Most Ethical Companies" and "Ethisphere" names and marks are registered trademarks of Ethisphere LLC.

© 2021 Arthur J. Gallagher & Co. | 40116