



2019

Benefits Strategy & Benchmarking Survey

Know Your Strengths and Opportunities

Entertainment | Hospitality | Restaurant Addendum



Gallagher

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Survey Overview

A total of 183 entertainment, hospitality and restaurant employers across the U.S. participated in Gallagher’s 2019 Benefits Strategy & Benchmarking Survey — which asked close to 300 questions on topics spanning the total rewards spectrum. This addendum highlights the key findings drawn from all responses.

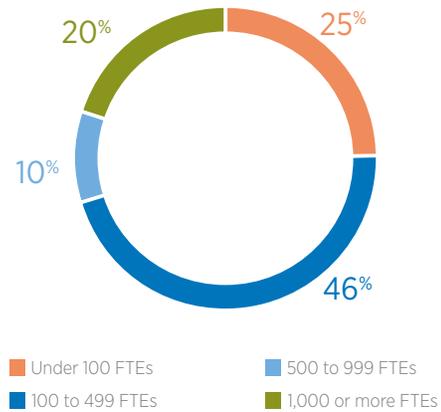
The hospitality industry is characterized by an age-diverse, multicultural and increasingly mobile workforce. As high turnover and a tight labor market persist, talent recruitment and retention remain key priorities for employers. In addition to the usual areas of strategic focus, there’s also a strong desire to create a workplace culture that aligns with the organization’s brand image.

For many hospitality employers, operational demands are at odds with the need to craft a benefits package that resonates with both current and next-generation employees. But too often when choosing and using benefits, decisions are made without fully harnessing the power of data and technology. Planning driven by multiple data sources can help address strategic challenges and identify opportunities for more effective total rewards programs.

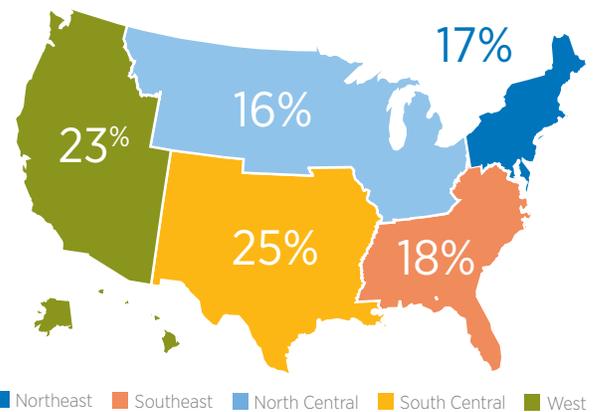
The greater use of human resource (HR) technology, an integrated approach to employee communication, and innovative medical plan design can enable more sustainable benefits that meet operational goals. Also important are tools — including mobile technology — that support workforce wellbeing by connecting employees to health improvement resources. An added value of wellbeing benefits is their ability to serve as touchpoints for promoting and internalizing the company brand.

A little innovation can lead to significantly improved internal HR processes for hospitality employers. And progress paves the way for a holistic, cost-effective approach to meeting a broad spectrum of employee needs.

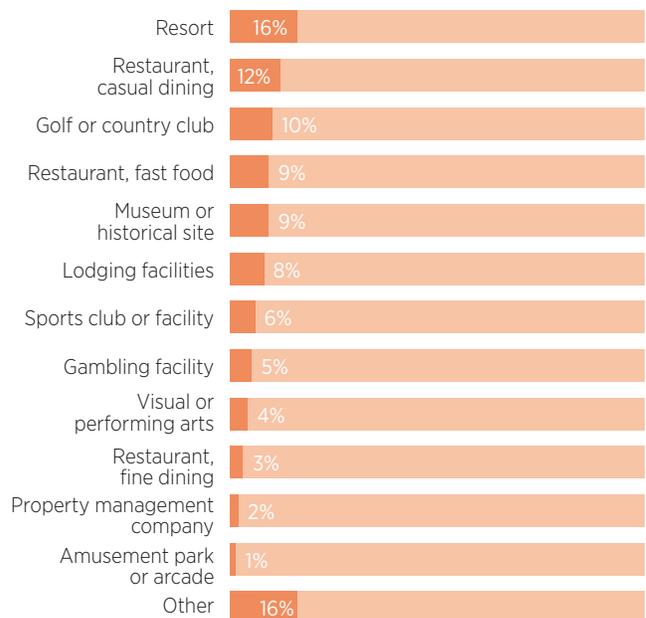
FULL-TIME EMPLOYEES (FTEs) — DOMESTIC¹



GEOGRAPHY¹



TYPE OF ORGANIZATION¹



¹Due to rounding, percentages do not total 100%

Human Capital Strategy

TOP HR PRIORITIES



EXPECTED INVESTMENTS IN HR TECHNOLOGY BY 2021



Expand current HR technology	43%
Replace current HR technology	8%
Both	15%

USE OF A MULTI-YEAR PLANNING STRATEGY

YEAR	BENEFITS	COMPENSATION
2019	13%	10%
2018	12%	11%
2017	8%	8%
2016	6%	7%

Hospitality employers are experiencing unusually high turnover during this period of historically low unemployment. While 36% projected a rate of 15% or more in 2018, 55% actually recorded this level, which influenced 76% to rank attracting and retaining a competitive workforce as their top HR priority. This objective is also an operational focus (64%), second only to revenue and sales growth (65%). Yet industry employers that view compensation and benefits as necessary operational costs (36%) still outnumber their peers that see them as investments in maximizing workforce performance (22%).

These findings suggest that many can use total rewards more strategically to increase retention. One area to consider is workforce training, which nearly half (48%) of HR teams rank as a top priority. Besides helping to improve employees' performance, individual growth opportunities become a point of engagement with the employer that's critical to operational success. Enduring connections support a strong culture — a top HR priority for 45% — that fosters an attractive work environment and builds continuity between the brand's vision for customer service excellence and the employee experience.

Investments in HR technology are trending in 2019. Twenty-five percent (25%) of hospitality employers have an HR technology strategy that supports their human capital strategy. And by 2021, most plan to expand (43%), replace (8%) — or expand and replace (15%) — their current assets. Intentions to either expand or expand and replace technology are up by 9 points each from 2018. Key motivators are process automation efficiencies (84%), better support of human capital management (53%) and increased employee productivity (50%).

Longer-term benefit planning horizons are attainable for most hospitality employers, especially if they're improving their HR technology capabilities. But it appears the use of a multi-year strategy (13%) may be plateauing after years of incremental increases. Managing benefits from year to year (60%), by far the most common approach, leaves employers in a disadvantaged reactive position.

Similarly, only 10% apply a multi-year strategy to compensation planning, while 64% work within the riskier limitations of yearly cycles. High turnover and operational goals may take precedence as immediate and pressing concerns, but investment in more informed, long-term planning supports the ability to realize and sustain these goals as well as other priorities.

Medical Benefits

OUTLOOK ON MEDICAL AND PHARMACY BENEFITS



INCREASES TO HEALTH PLAN COST SHARING IN 2019



USE OF RESOURCES TO SUPPORT HEALTHCARE NEEDS AND BETTER OUTCOMES (CURRENT AND PROJECTED)

TACTIC	2019	2021
Telemedicine	54%	68%
Cost-transparency tools	23%	53%
Healthcare decision support	24%	41%
Disease management programs	15%	26%

Nearly 7 in 10 hospitality employers (68%) agree that medical and pharmacy benefits are key to attracting and retaining talent — up 15 points from 2018. Yet it's increasingly difficult to attain reasonably priced healthcare for both employees and the organization, especially when the high costs of medical services (71%) and non-specialty (37%) prescription drugs stand in the way.

Even though controlling these costs is a top priority for 62%, far fewer say they have an effective strategy for this purpose — down from 49% in 2018 to 33%. The enormity of this overall challenge highlights the need for creative, data-driven solutions to health benefits design.

Providing choice through a greater number of health plans is a prime opportunity to balance costs and affordability. Employees can more closely match their diverse needs to a broader range of coverage options. Although 25% of industry employers offer just one plan, others extend the selection to two (30%) or three (25%) at nearly the same rates. A preferred provider organization (PPO) plan is the most common type for 79%, and 43% offer a high-deductible health plan (HDHP) or consumer-driven health plan (CDHP).

Interestingly, just 23% of hospitality employers offer paid coverage to part-timers, compared with 42% of employers overall. Expanding coverage to include these workers can help build a more inclusive and rewarding team culture — potentially improving attraction and retention.

Health plan cost sharing is a sensitive metric for hospitality employers. Recognition of the burden this practice places on employees may well explain why 45% abstained from increasing these costs altogether in 2019, compared to 47% that raised employee-paid premiums.

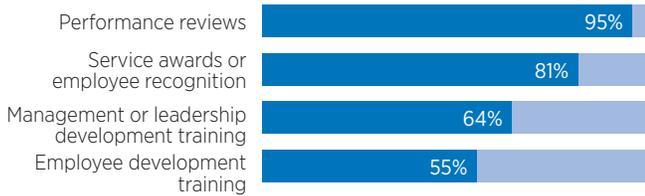
By 2021, the adoption of healthcare cost-control tactics among hospitality employers is expected to climb — including rates for telemedicine (68%) and cost-transparency tools (53%). Some also anticipate greater use of healthcare decision support (41%) and disease management programs (26%), especially those that assign a top priority to holding down healthcare costs for unhealthy covered populations (34%). For these employers, patient-centered healthcare support tools and wellbeing investments can help curtail costs.

Employee Wellbeing

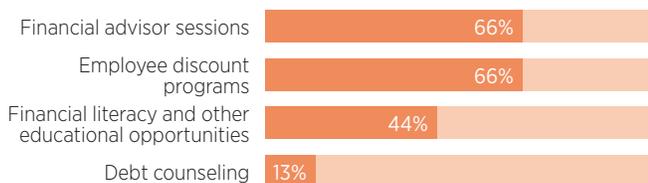


42% HAVE A WELLBEING STRATEGY
44% PLAN TO ADD ONE BY 2021

MOST COMMON METHODS OF SUPPORTING CAREER WELLBEING



TOP TACTICS FOR IMPROVING FINANCIAL WELLBEING



All-encompassing wellbeing programs touch on the financial, emotional and career aspects of a person's life, in addition to their physical health — helping improve organizational health by enhancing the overall employee experience. Currently, more hospitality employers take a traditional approach to employee wellbeing that's focused on physical needs (28%) than apply a whole-health strategy (14%).

Insufficient time or staff (71%) and budget constraints (39%) are the most common reasons that over half (57%) of these employers lack a wellbeing strategy. However, 44% expect to implement one by 2021, and in the meantime, a few do offer some resources to their employees (17%).

Findings from a direct survey of workforce preferences — including employees' wellbeing goals — help identify contemporary concepts that best fit employees' needs and interests. For many industry employers, mobile technology and community-based programs are cost-effective ways to connect workers with wellbeing opportunities.

Personal development and career growth are critical elements of engagement that employees greatly appreciate. And hospitality organizations are recognizing and responding to the demand with a variety of practices. Common methods of fostering career wellbeing include employee performance reviews (95%) and recognition (81%). Development training for managers and leaders (64%) as well as employees (55%) are other popular investments that benefit both the individual and the organization. One shared advantage of career wellbeing initiatives is their potential to jointly enhance workplace culture and employee fulfillment.

In an effort to step up their focus on financial wellbeing, 66% of industry employers now offer advisor sessions, and 44% provide financial literacy and other educational opportunities. These benefits break down barriers to sound financial decisions — helping employees maximize the value of their compensation. With debt counseling available at just 13% of hospitality organizations compared to 24% overall, this program is worth considering. It's an attractive differentiator that can boost the prospects for workers struggling to gain stronger financial footing.

Employee Communication

MOST IMPORTANT COMMUNICATION OUTCOMES



12%

HAVE A COMPREHENSIVE EMPLOYEE COMMUNICATION STRATEGY



USE OF TECH-ENABLED COMMUNICATION METHODS

	2019	2018
Interactive decision support tools	32%	30%
Mobile apps	15%	11%
Social media	11%	7%
Text messaging	10%	5%

Collectively, hospitality employers say the most important communication outcome is for employees to understand their benefits — including how to use them (68%) and the value they provide (50%). And some have set their sights on creating a brand-oriented and inclusive culture. Those that share the top priority of acknowledging employees’ contributions to the success of the company (40%) are closely aligned with this objective.

Highlighting areas where there’s often room for improvement, only 15% within the industry provide their workforce with a total rewards statement. This could be symptomatic of an unmet need that has broader implications. Just 28% agree their employee communication efforts create tangible results or behavior change. Employers that track outcomes typically rely on employee feedback or questions received by HR (54%), employee satisfaction or engagement survey results (42%), and healthcare benefits enrollment and trends (37%). Yet 23% don’t measure communication impact, which can be linked to a lack of structured communication management.

Most hospitality employers have strategies for some programs like safety, wellness or benefits enrollment (79%), while a comprehensive approach is rare (12%). Gradually building out a broad-based communication strategy — that integrates a selective variety of mediums and delivery methods — helps ensure messages have their intended effect.

Email continues to be the workhorse of communications, used by 85% of organizations to inform and educate employees about their compensation and benefits. As an alternative or additional form of contact, online tools and mobile technology provide convenience — and allow employees to take timely action on the information received.

Fifty-four percent (54%) of hospitality employers use online portals or websites for benefits enrollment, and 32% provide employees with an interactive decision support platform. To date, live group meetings take precedence (49%) over mobile apps (15%) and text messaging (10%). While setting up and conducting these meetings is resource-intensive, they provide an environment that encourages questions from employees and other interactions — reinforcing a sense of connection to the organization.

Final Remarks

Hospitality employers are adopting total rewards that demonstrate the great value they place on employees as the face of their organization to customers. Increasingly, they're recognizing that culture, communication, and a compensation and benefits package aligned with operational goals are key to business success. Because challenges caused by turnover can hamper the achievement of these objectives, attraction and retention continue to rank among the highest priorities.

Organizations can improve their outcomes with the help of HR technology and a gradual embrace of multi-year total rewards strategies. These solutions should be based on data-driven decisions — informed by benchmarking metrics and workforce evaluation results that acknowledge the needs and preferences of their employee populations.

Medical plan design improved by cost-management features and tools that provide employee healthcare decision support — at the most appropriate points of delivery — are critical. And another upgrade for hospitality employers to explore is offering employer-sponsored medical benefits to part-time workers. This practice not only helps attract and retain talent, but it's also an inclusive move that engenders a "one team" cultural sensibility. As a complement to medical benefits, innovative wellbeing initiatives and programs are increasingly considered a strategic investment in employee health, engagement and productivity.

Many industry employers are taking steps to bolster wellbeing across the organization. The development of programs and other resources informed by employee feedback and backed by mobile technology that facilitates access helps overcome barriers to wellbeing success.

Also, underpinning all efforts to create a strong workplace culture is a strategic approach to employee communication. Effective outreach supports greater engagement through a better employee experience. Employees connect with their employer when they clearly understand the value they contribute to the organization — and receive in return.

To learn more, contact Hospitality & Restaurant Managing Director Mark Orzechowski (Mark_Orzechowski@ajg.com) or your local Gallagher consultant.

About Gallagher

Better. It's something all companies strive for. Better outcomes from better performance. But how do you get there?

You start by building a better workplace. One that attracts, engages and retains top talent. What does that look like? It's a workplace where people feel they belong — where there's a sense of developing a career instead of punching a clock. And a culture of opportunity that draws new talent because it inspires employees to deliver their personal and professional best.

Gallagher Better WorksSM — a comprehensive approach to benefits, compensation, retirement, employee communication and workplace culture — aligns your human capital strategy with your overall business goals. It centers on the full spectrum of organizational wellbeing, strategically investing in your people's health, talent, financial security and career growth. And developing benefit and HR programs at the right cost structures to support a multigenerational workforce.

From evaluating the demographics of your workforce to surveying and analyzing competitor trends, Gallagher helps you gather new insights and apply best practices that promote productivity and growth. A data-driven focus allows you to continually improve. That's what it means to create a better workplace culture. It's about never being content to rest each time you reach your best. Your better is never finished.

As you develop and sustain this destination workplace culture, your people can thrive and perform at a higher level — optimizing your annual talent investment and mitigating organizational risk to maximize your profitability. Best of all, you gain a competitive advantage as a workplace that simply works better.

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