

SEE WHERE YOU STAND

2018 Benefits Strategy & Benchmarking Survey —
Entertainment | Hospitality | Restaurant Industry Addendum



Gallagher

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Survey Overview

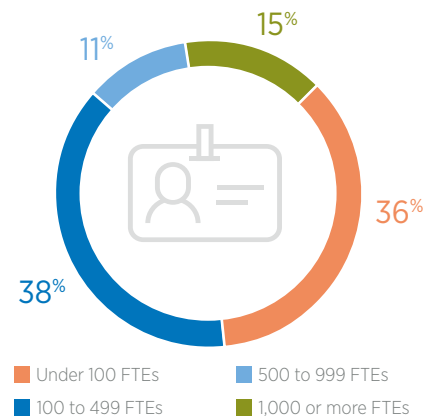
Gallagher’s 2018 Benefits Strategy & Benchmarking Survey asked U.S. employers close to 300 questions across the total rewards spectrum. This addendum highlights key findings and implications based on responses from 162 entertainment, hospitality and restaurant employers participating in this year’s research.

Referred to collectively here as “hospitality,” the industry is made up of a multicultural, mobile workforce. Due to high turnover and a tight labor market, talent recruitment and retention is a major priority for employers. Historically low unemployment is placing job seekers in the driver’s seat. In addition to cash compensation, prospective employees consider benefit packages and other people investments — such as work scheduling flexibility, paid time off and community involvement — side-by-side to understand which employer is more heavily invested in their future and overall wellbeing.

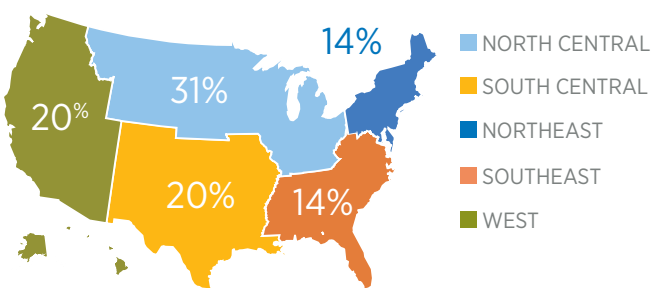
As hospitality organizations strive to develop programs that meet budget requirements while providing valuable benefits, they are implementing effective, mobile-friendly communications and technology to help employees understand and access benefits.

In order to improve employee engagement, it will be important for the hospitality industry to shift from a short-term focus on benefits and compensation planning to a long-term strategic approach. While 61% still manage benefits on a year-to-year basis, hospitality employers have made significant strides over the last three years towards implementing multi-year strategies that can help improve engagement and reduce costs.

FULL-TIME EMPLOYEES (FTEs) — DOMESTIC



GEOGRAPHY¹



¹Due to rounding, percentages do not total 100%

TYPE OF HOSPITALITY ORGANIZATION



Gaming/entertainment	12%
Museum	12%
Restaurant, casual dining	12%
Restaurant, fast food	9%
Golf/country club	8%
Lodging	8%
Resorts	7%
Performing arts	6%
Restaurant, fine dining	2%
Other	24%

Human Capital Strategy

TOP PRIORITIES FOCUS ON GROWTH AND PEOPLE



TOP OPERATIONAL PRIORITY

66% Revenue/sales growth

TOP HR PRIORITY

74% Attracting and retaining competitive workforce

RISING USE OF MULTI-YEAR APPROACH TO BENEFITS AND COMPENSATION PLANNING



	Benefits	Compensation
2018	12%	11%
2017	8%	8%
2016	6%	7%

HR AND BENEFITS TECHNOLOGY (HRBT) STRATEGIES USED



42% Have some HRBT strategies

24% Have an HRBT strategy that supports human capital strategy

16% Have a comprehensive HRBT strategy aligned with organizational strategies

Over the next two years, 64% of hospitality employers expect revenues to increase slightly and 15% expect revenues to increase substantially. Sixty-two percent (62%) anticipate growth in headcount.

At the same time, turnover is high: More than half (52%) report turnover of at least 15% for 2017, though only 33% of employers expected turnover that high. A strong workforce is critical for success in hospitality, and given the competitive labor market, it's vital to align investments to workforce needs through wellbeing strategies and initiatives.

Revenue or sales growth is the hospitality industry's top operational priority (66%), with attracting and retaining a competitive workforce just behind at 65%. The leading HR priority is maintaining a competitive workforce (74%), followed by creating a strong culture (52%), and training and development (46%). However, 61% say they don't spend enough on training and development, up from 56% in 2017 and 51% in 2016.

Unsuccessful cost management is a critical risk for hospitality employers, amplified by rising benefit costs. For 34%, the average annual cost of employer-paid benefits is more than \$10,000 per eligible employee. Just 20% and 12% reported the same level of benefits expenses in 2017 and 2016, respectively.

Hospitality employers are becoming more strategic in personnel management and employee engagement. Sixty-one percent (61%) manage benefits on a year-to-year basis, down from 78% in 2017 and 81% in 2016. One-to-two year and multi-year benefits planning increased over the same period. Compensation planning mirrors these results.

HR and benefits technology (HRBT) can streamline and enhance processes while driving employee engagement, particularly with a mobile, diverse workforce as in hospitality. Currently, 82% of employers have an HRBT strategy, but just 16% have a comprehensive HRBT strategy that aligns with organizational strategies.

Medical Benefits

TYPE OF MEDICAL PLANS OFFERED

66%

OFFER 2 OR MORE MEDICAL PLANS



EMPLOYER HEALTH BENEFIT PERCEPTIONS



77% Benefits are competitive within the industry or region



50% Employees are satisfied with their benefits

BIGGEST CHALLENGES IN MANAGING HEALTHCARE COSTS



42%

HIGH COST OF
PRESCRIPTION DRUGS



59%

HIGH COST OF
MEDICAL SERVICES

More than two-fifths (41%) of hospitality employers identify controlling benefit costs as a key HR challenge. Paired with the difficulty of recruiting and retention, containing medical costs — while providing the right type of coverages across the entire organization — becomes an enormous challenge.

Two-thirds (66%) of hospitality employers offer two or more medical plans. Most offer a preferred provider organization (PPO) at 82%, followed distantly by a health maintenance organization (HMO) (31%) and consumer-directed (CDHP) or high-deductible health plans (HDHP) both at 17%. Most organizations say employees have access to the quality medical services they need (89%), and 84% say premiums are affordable for single coverage. Seventy-seven percent (77%) say health benefits are competitive with industry or regional peers.

Yet only half (50%) of employers feel that employees are satisfied with their health benefits (down from 58% in 2017). Also notable: only 47% say family coverage is affordable. The data shows employers are maxing out plan design changes and cost sharing, and may need to rethink how to manage these programs.

Just 49% of hospitality employers say they have an effective strategy to manage healthcare costs. The most-cited issues are the high cost of medical services (59%), the cost of prescription drugs (42%), and an unhealthy covered population (29%).

To help control expenses, more employers are using cost-management tactics. For instance, 53% of employers offer telemedicine, compared with 21% in 2016. This includes virtual doctor's visits, reducing healthcare costs by shifting patients to lower cost settings, reducing employee travel and waiting time (time away from work) and providing access to healthcare consultation for mobile employees. Cost transparency and decision support tools are also on the rise, as they encourage employees to make smarter healthcare decisions.

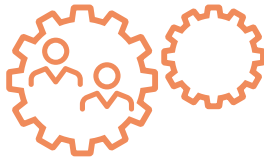
Employee Engagement

50%

REPORT THEIR WORKFORCE IS
SOMEWHAT OR HIGHLY ENGAGED



TOP TACTICS USED TO IMPROVE ENGAGEMENT



Give timely and constructive feedback	81%
Define clear performance goals	76%
Identify development needs and create action plans	72%
Support employees in developing and pursuing a career path	71%
Communicate in a way that fosters trust and confidence	65%

APPROACH TO WELLBEING



15% Have a comprehensive "whole employee" wellbeing strategy

29% Have a strategy with traditional offerings focused on physical health

From the top of the organization to seasonal employees to variable hour staff, it's not enough to offer a competitive salary and benefits: Employers must educate employees on their total compensation, show how employees' efforts contribute to organizational success and help employees feel connected. In short, employees need to be engaged.

However, only 40% of hospitality employers agree and 10% strongly agree their workforce is highly engaged. Leading tactics to improve engagement include giving timely and constructive feedback (81%), defining clear performance goals (76%), identifying development needs and creating action plans (72%), supporting employees' career paths (71%) and communicating in a way that fosters trust and confidence (65%). The latter three tactics are up at least 26 percentage points each from 2016.

Misunderstood and underappreciated benefits pose a risk for industry employers. With little to no financial investment, employers can generate stronger engagement by better communicating benefits already in place. For instance, 10% or less of hospitality organizations use virtual meetings, social media, text messaging or videos, which can reach their technology-savvy and mobile employees in particular. Employers have been making greater use of email, interactive decision support tools and face-to-face support (such as health and benefits fairs) to communicate their benefits over the last three years.

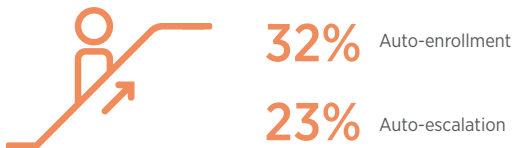
Wellbeing — a concept of whole person health — has gained traction in the industry: 67% of employers agree or strongly agree promoting and improving employee health and wellbeing is a top priority. Improving employee experience and satisfaction is the most cited (55%) reason for investing in wellbeing initiatives, up from 27% two years ago. However, just 15% of hospitality employers have a comprehensive wellbeing strategy that promotes physical, financial, career, social, emotional and community wellbeing. Another 29% have a traditional strategy focused on health offerings, such as flu shots and tobacco cessation programs.

Retirement Benefits



Types of Plans Offered	
Defined contribution	79%
Defined benefit	23%
Nonqualified	7%
Cash balance	2%

METHODS USED TO INCREASE RETIREMENT PLAN ENROLLMENT



FINANCIAL WELLBEING OFFERINGS



Financial advisor sessions	68%
Employee discount programs	61%
Gym subsidies	52%
Financial literacy and other education opportunities	46%
Debt counseling	14%
Student loan forgiveness	11%

The hospitality industry understands retirement benefits are a cornerstone of employees' financial security, with 79% of employers offering a program, compared with 51% in 2016. This has risen in parallel with the number of employers measuring employee retirement readiness (39% do so, compared with 18% in 2016).

Most (79%) employers with a retirement program offer a defined contribution plan such as a 401(k), while 23% offer a defined benefit plan. To ensure employees can retire at the appropriate time (which helps control healthcare and salary expenses), high levels of participation are essential. Thirty-two percent (32%) of hospitality employers have auto-enrollment in their retirement plan, and 23% have auto-escalation of employee contributions.

Many hospitality employers contribute to financial wellbeing and retirement readiness beyond a traditional retirement plan. Access to financial advisors (offered by 68% of employers), financial literacy and other educational opportunities (46%), and debt counseling (14%) improve employees' financial health, and helps them save enough to retire on time.

Employers also offer benefits for younger employees that allow them to start saving for retirement. Twenty-one percent (21%) offer tuition assistance and 11% have student loan forgiveness programs. In addition to promoting retirement saving, these benefits can attract and help retain younger workers, promote job-related training and alleviate financial stress, leading to better productivity and engagement.

Final Remarks

Hospitality employers place great value on their people, as employees are often the public face of their organizations. Employers also understand that employee engagement is fundamental to their long-term success. As such, recruiting and retaining top talent is one of the hospitality industry's biggest organizational priorities. Employers can improve their approach to engagement through multi-year compensation and benefits planning strategies that incorporate data-driven decision making, success metrics and a workforce evaluation to understand employee needs and preferences.

It is critical for employers to incorporate design and cost management tactics that mitigate healthcare expenses, and direct employees to the most appropriate healthcare options. To generate additional savings, hospitality organizations need the best available pricing across all employee benefit programs, as well as auditing protocols to mitigate waste and inefficiency. Supplementing core programs with employee-paid elements allows for further customization and enhances the attractiveness of hospitality employers' benefits package.

This report explores key compensation and benefit management issues, trends and solutions for hospitality employers. It is intended to provide direction that can help employers take a more strategic approach that is efficient, aligns with sustainable operational goals and builds better employee and organizational outcomes.

To learn more, contact the 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 stronger sense of developing a career than punching a clock and a culture of opportunity that draws new talent because it inspires employees to deliver their personal and professional best.

Gallagher's 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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