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Serving the public:

The public sector's
challenges ahead



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Serving the public: The public sector's challenges ahead

In an age of political polarisation, facing a once-in-a-century pandemic that shut down much of the private sector in spring 2020, millions of public servants working at the local, state and federal levels stepped up and continued their job in the face of unprecedented adversity. They collectively helped the nation fight the virus and kept essential services going (mostly) smoothly.

In fact, the shock of the crisis and urgent need for action catalysed creative solutions and transformation, from deploying outdoor mass vaccination sites to overhauling day-to-day services for the digital age to the embrace of remote work capabilities. The pandemic caused high levels of disruption in the public sector, effectively pushing it to become more innovative, while intensifying competition with the private sector for talent.

That's a major theme that emerged from a survey of the public sector conducted by The Economist Intelligence Unit and sponsored by Prudential as part of the

Recovery, resilience and the road ahead programme. Another big takeaway from the survey results includes the disproportionate impact of the pandemic on certain groups including older workers and women.

The survey assessed worker concerns, priorities and remote work experiences, as well as organisations' digital maturity, technology investments, skills and capabilities, and outlook on the future. There were 1,448 respondents—1,292 workers and 156 senior managers—working around the US; in local, state and federal governments; and across various functional roles, from construction to education.

As the US continues to grapple with the pandemic, the public sector plays a key role in powering its recovery. But as in so many other sectors, there is no return to an old normal in sight—both in terms of how many public services are delivered, and hopefully how Americans perceive the value of government services in general.

Disparate impacts

Women and older workers have been disproportionately impacted by the covid-19 pandemic. Public sector organisations should step up with strengthened workforce supports.

The survey revealed that generally, workers in the public sector experienced negative impacts more often than positive effects from the pandemic on their wellbeing. Certain groups at the workplace have been more vulnerable to disruption from covid-19.

Specifically, the disproportionate toll the pandemic has taken on the wellbeing of female workers in the public sector has been noted throughout the crisis, with the study fortifying this reality.¹ With many childcare options limited and female-dominated service sectors more likely to experience job losses, women have shouldered heavy mental and financial burdens. The public sector's workforce is nearly 60% female, with a large number of women of colour. As of 2019, the median wage of women among the country's 4.6 million essential workers in government and community-based services is US\$18/hour—well below the median wage of US\$31/hour received by their male colleagues.² For several reasons, in other words, female workers in the sector were particularly vulnerable to the stresses created by covid-19.

This reality came through in our survey results. Public sector female workers reported feeling less valued, respected and listened to in the workplace compared with men. Categorically, female workers also

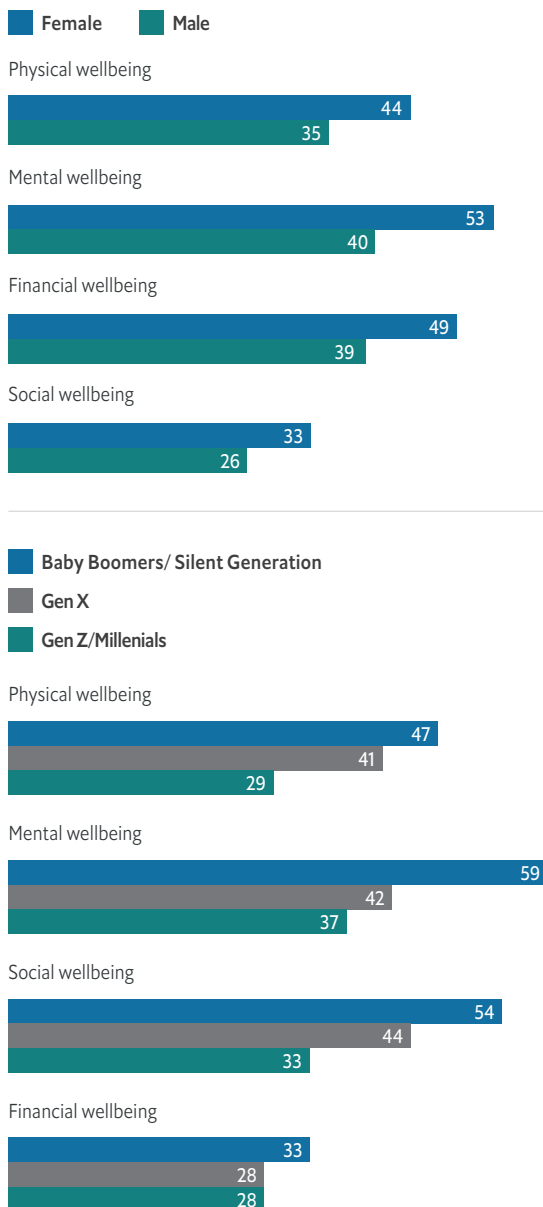
reported various aspects of their wellbeing as “very/ somewhat” negatively impacted by covid-19 at significantly higher rates than their male counterparts (Figure 1). With this glaring insight in mind, it is no surprise that diversity and inclusion is paramount among senior management as key to recruiting, and equally important, retaining talent.

Another segment of sector's workforce disproportionately impacted by covid-19 is older workers, not surprising, given the pandemic's more adverse effects on this group. The older the generation a respondent is part of, the more likely they were to report being “very/ somewhat” negatively impacted by covid-19 in terms of physical, mental and social wellbeing.



Figure 1. Female and older workers are more likely to be negatively impacted by covid-19.

To what extent have the following been impacted by covid-19? (% workers choosing "very/somewhat negatively impacted")



Source: The Economist Intelligence Unit

The bleak indication of where female and older workers see the state of their wellbeing is rebuffed by the waning feeling of value and respect that these groups feel their respective organisations provide them.

For women, this seems to have been exacerbated by the pandemic, since 36% of women feel less valued over the past year, higher than the share among men (23%). At the same time, 38% of Baby Boomers feel their perspectives are not very/not at all considered in broader company planning—above the 30% of workers overall who felt this way.

What emerges from all these results is a picture of a relatively segmented public sector workforce that feels disconnected from their organisations to a significant extent. The implications for leaders and their organisational strategy is clear: there's a need for efforts to improve employee engagement and satisfaction, especially targeting female workers who make up the majority of the sector's workforce. The wellbeing and perspectives of Baby Boomers should also be supported—failure to do so could raise organisations' risk of losing experienced employees and all their institutional knowledge. As Robert Lavigna, director of the CPS HR Institute for Public Sector Employee Engagement, surmises, "an organisation can have great ideas, sound policies, and even cutting-edge technology, but if it doesn't have talented people to execute on those ideas and policies, and manage the technology, it can't be successful."

Weathering the storm

Public sector workers appear in a relatively better financial situation compared with private sector workers, nonetheless significant financial concerns persist.

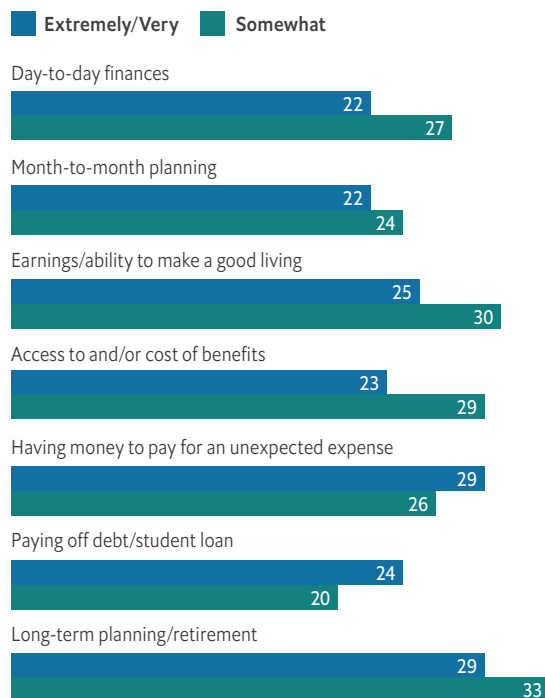
Broadly speaking, public sector workers were less likely to experience negative financial impacts from the pandemic compared with workers in the private sector. When lockdowns began last year and employment cratered in many private sectors, some observers thought the public sector would follow suit as tax revenue plummeted and state and local governments slashed budgets. To be sure, the public sector did lose jobs—1.1 million from end-2019 to end-2020.³ But those losses were far less than in the private sector.⁴ As the pandemic continued, anticipated tax shortfalls didn't materialise to the degree expected in many places;⁵ however, the public sector bore the brunt of the pandemic until federal aid via the American Rescue Plan stimulus bill, passed in February, gave state and local governments an infusion of cash.

The rapid expansion of remote work capabilities by many governments—most visibly in schools—likely played a role in cushioning the financial impacts of the pandemic on workers. As in other sectors (eg, financial services), many government jobs were able to be performed remotely. About 74% of surveyed workers reported either starting or increasing the amount of time working remotely due to a covid-19 lockdown.

Nonetheless, roughly half of public sector respondents in the survey are at least somewhat concerned about their financial situation, ranging from day-to-day finances to the ability to pay for an unexpected expense (Figure 2). In particular, 62% of them are at least somewhat concerned about their long-term retirement planning.

Figure 2. Large portions of the public sector are at least somewhat concerned about their financial situation.

How worried are you about each of the following today? (% respondents selecting either "extremely/very" or "somewhat")

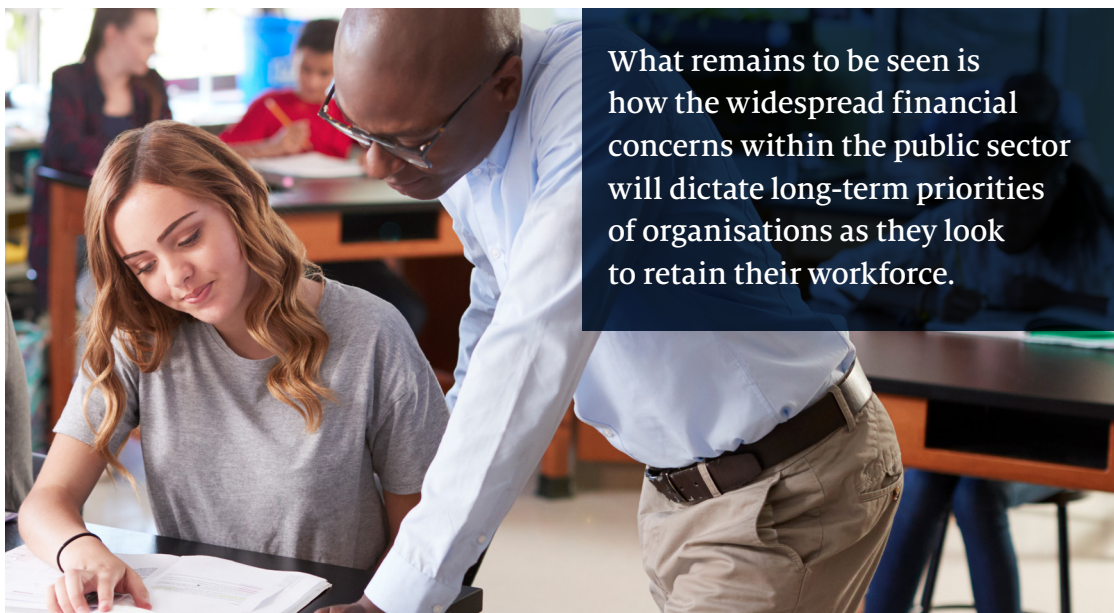


Source: The Economist Intelligence Unit

In addition, while government workers in general have greater access to employee benefits such as healthcare, credit counselling, and professional development or tuition assistance,^{6,7} the sector does appear to fall short when it comes to providing wellness tools and resources, specifically for finance. Only 13% of workers report that they have access to such tools, regardless of if they use it or not. Though this may be more perception than reality, it cannot be understated that the opportunity to mitigate financial concerns through increasing access to such tools is not one to waste.

All this underscores that in a moment of true crisis, many organisations in the public sector were able to maintain operations in large part due to the alignment between their actions and

worker concerns. The integration of remote work in accordance with the wide array of benefits given to workers helped prevent more layoffs. For workers who have made it through, and are able to take advantage of more robust employment benefits than many in the private sector, public sector organisations have proven steadier than expected during an unprecedented crisis. However, what remains to be seen is how the widespread financial concerns within the public sector will dictate long-term priorities of organisations as they look to retain their workforce. While organisations have been proactive in providing flexible working conditions and expansive benefits, lack of access to tools and resources, particularly, for financial wellness, is still a glaring shortfall that organisations must address moving forward.



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Innovation constraints

The pandemic catalysed the sector's digital transformation efforts and new ways of working and delivering public services. But multiple constraints could slow progress.

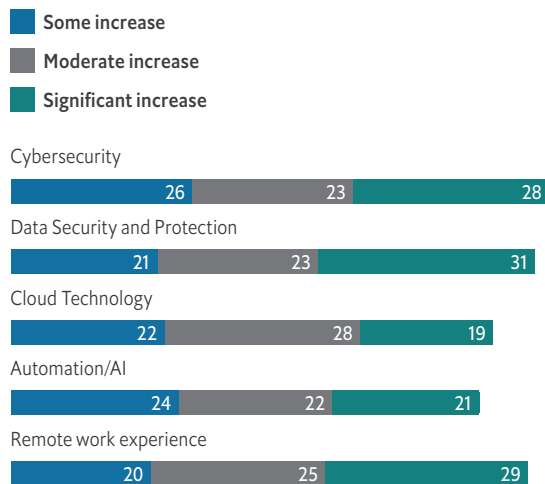
Many governments had been planning on evolving services and workflows for the digital-first cloud-computing age; the pandemic proved itself a major catalyst for change. But as much as public sector organisations prioritise the adoption of digital technologies, they face various constraints.

One of them is a skills gap. When public sector senior management were asked which skills gaps would be most critical to address while responding to current and near-term business challenges, information technology/data security was their top choice. (IT tied with human resources, including diversity, recruitment and benefits.) This tech skills gap, which many other sectors face as well, will likely be an enduring issue. Large majorities of senior management said their organisations had at least some increase in investments in remote work experience (82%), cybersecurity (74%) and data security and protection (67%) following the covid-19 pandemic.

Moreover, 67% of government executives have reported an increase in financial commitment to digital transformation despite budget pressures brought about by the pandemic.⁸ This accentuates the urgency with which organisations in the sector now view the need for change. And it appears these areas will remain priorities in the coming years.

Figure 3. Most public sector senior management expect to increase tech-related investments in the coming years.

How do you anticipate your organisation will increase its investment/resourcing in the following areas in the next 2-3 years?



Source: The Economist Intelligence Unit

Of course, the desire to make tech-related investments is not the same thing as making them. Finding adequate levels of funding to sustain digital transformation efforts has long been a challenge—American Rescue Plan stimulus dollars flowing to municipalities and states won't change this public sector reality. "The first answer is always 'Money,'" says Peter Wilson, a senior fellow at ICF who focuses on federal innovation and strategic efforts, describing common public sector challenges vis-à-vis digital transformation. "The second answer is always, 'But we have a hiring freeze.'"

Another constraint to progress: legacy technology systems. In a recent survey of public sector leaders, 19% of respondents said that legacy systems were the most significant challenge to updating technology.⁹ Jobless Americans saw this problem up close throughout the pandemic while applying for unemployment benefits through antiquated systems operated by state governments.

Yet another constraint is uncompetitive workplace culture and work hours. Many governments are not offering the same schedule flexibility and work environments as private sector organisations. That's a growing liability, both in terms of the sector's current workforce and ability to attract new talent. More than 80% of senior managers believe public workers expect the same flexibility and working options as non-public sector workers, according to survey results.

"If the public sector does not respond to the demand for remote work, it's going to be at a distinct disadvantage in attracting and retaining talent," says Mr Lavigna. "Particularly in big cities, where it is already at a disadvantage with respect to compensation."

One way governments might enhance their competitiveness is by raising awareness of the array of robust benefits many offer employees, he adds. "Governments don't do a great job of talking about all of the attractive features that we have, particularly vis-à-vis the private sector."

Having accelerated digital transformation efforts to adapt to the pandemic operating environment, governments now face



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heightened pressure to attract and retain the right talent to keep momentum going. Given the sector's unique legacy technology challenges and financial constraints, as well as broader digital skill gaps in the labour market, digitalisation will likely continue to be an uphill climb.

Continued investments in remote work capabilities should help the public sector boost competitiveness. But there's a deeper work culture shift that may need to occur to adequately recruit and retain top talent. It's a shift that involves managing results and outcomes rather than time attendance and activities. How workers' value is defined and productivity is assessed for both remote government workers and those who remain on the frontlines will be a key area of focus for organisations as they continue their digital transformation and move into a new post-pandemic normal.

Conclusion: Sustaining momentum for change

In the space of months, government operations that had been largely static for decades changed rapidly. Court hearings, city council meetings and elementary school classes were held virtually. With town halls and city halls, civil servants reported from work-from-home offices. The covid-19 pandemic accelerated far-reaching, and in many cases overdue, digital transformation in the public sector, belying the common stereotype of slow-moving bureaucracies.

But the extended crisis also exposed how far governments still have to go in their transformation process. The big question

now, as the country continues to reel from the virus, is how much organisations will be able to sustain momentum for change. The billions of federal American Rescue Plan dollars flowing to state and local governments this year and next could act as a tailwind driving strategic digital change. But talent gaps could become stronger headwinds as private sectors compete for the same high-skilled workers. The good news is that competitiveness can likely be boosted through relatively low-cost solutions. If governments can strengthen workforce supports to sustain employee wellbeing and embrace flexible hours along with remote work, deeper transformation will be more achievable.

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LONDON

20 Cabot Square
London, E14 4QW
United Kingdom
Tel: (44.20) 7576 8000
Fax: (44.20) 7576 8500
Email: london@eiu.com

GENEVA

Rue de l'Athénée 32
1206 Geneva
Switzerland
Tel: (41) 22 566 2470
Fax: (41) 22 346 93 47
Email: geneva@eiu.com

NEW YORK

750 Third Avenue
5th Floor
New York, NY 10017
United States
Tel: (1.212) 554 0600
Fax: (1.212) 586 1181/2
Email: americas@eiu.com

DUBAI

Office 1301a
Aurora Tower
Dubai Media City
Dubai
Tel: (971) 4 433 4202
Fax: (971) 4 438 0224
Email: dubai@eiu.com

HONG KONG

1301
12 Taikoo Wan Road
Taikoo Shing
Hong Kong
Tel: (852) 2585 3888
Fax: (852) 2802 7638
Email: asia@eiu.com

SINGAPORE

8 Cross Street
#23-01 Manulife Tower
Singapore
048424
Tel: (65) 6534 5177
Fax: (65) 6534 5077
Email: asia@eiu.com