



The public sector's stress test

Public sector workers have been through a lot since the covid-19 pandemic began. Many frontline workers were local government employees charged with keeping trains and buses moving. Police, fire and emergency medical services personnel couldn't stay home during lockdowns. Educators rapidly adapted curricula to online learning platforms. Public health workers coordinated covid-19 public awareness and vaccination campaigns. And millions of less visible local, state and federal workers kept governments functioning while shifting to remote work.

The pandemic dramatically highlighted the range of essential services the public sector provides society during crises. That reality makes government workers susceptible to high levels of burnout and anxiety, something underscored in the results of an in-depth survey conducted by Economist Impact (formerly The Economist Intelligence Unit) and sponsored by Prudential as part of the *Recovery, resilience and the road ahead* programme. We surveyed 1,292 public sector workers and 156 public sector senior managers working in US local, state and federal governments, and across various functional roles ranging from construction to education. Among other topics, questions assessed employee concerns and priorities, and organisations' digital maturity, skills and capabilities, as well as outlooks on the future.

SPONSORED BY



Prudential

Survey results surfaced significant negative impacts from covid-19 on the wellbeing of public sector workers, but also relative optimism about their relationship with employers, day-to-day finances and job security. The public sector did not experience the severity of job losses seen in other sectors, such as restaurants and bars, and hospitality. But surveyed senior management made clear that critical changes are on the horizon—like so many other sectors, the public sector is prioritising digital transformation and grappling with a tech skills gap.

Governments have prioritised safety and wellbeing amid the pandemic, rendering workers optimistic about their relationship with their organisation.

A key survey finding was that the wellbeing of workers was a top priority in government organisations. Workers said that their physical and mental wellbeing were among the top three priorities of their organisations. Meanwhile, 65% of surveyed senior management said their organisation had significantly or moderately increased

investment in worker safety protections. The shift to remote work for many also helped bolster safety; 66% of senior managers said their organisation had “significantly/moderately” increased investments in remote work experience since the pandemic began.

Although the impacts of the crisis have been significant, organisations’ efforts to support workers do seem to have yielded benefits. Almost half (46%) of public sector workers report an improvement in the worker/organisation relationship over the past year, for example. And 44% said they feel “extremely” or “very” valued now, with another 32% saying they feel “somewhat” valued.

But not all demographics within the sector view their organisation the same way. For example, Baby Boomers were more likely to feel their perspective was not or little considered in broader organisational planning (38%), compared with Gen X (28%) and Gen Z/Millennials (21%). On the other hand, just 31% of women felt their perspective was “extremely/very” considered by employers, compared with 44% of men.

Despite the improvements in workplace culture within public sector organisations, the pandemic's negative impact on workers' wellbeing and financial concerns remained widespread.

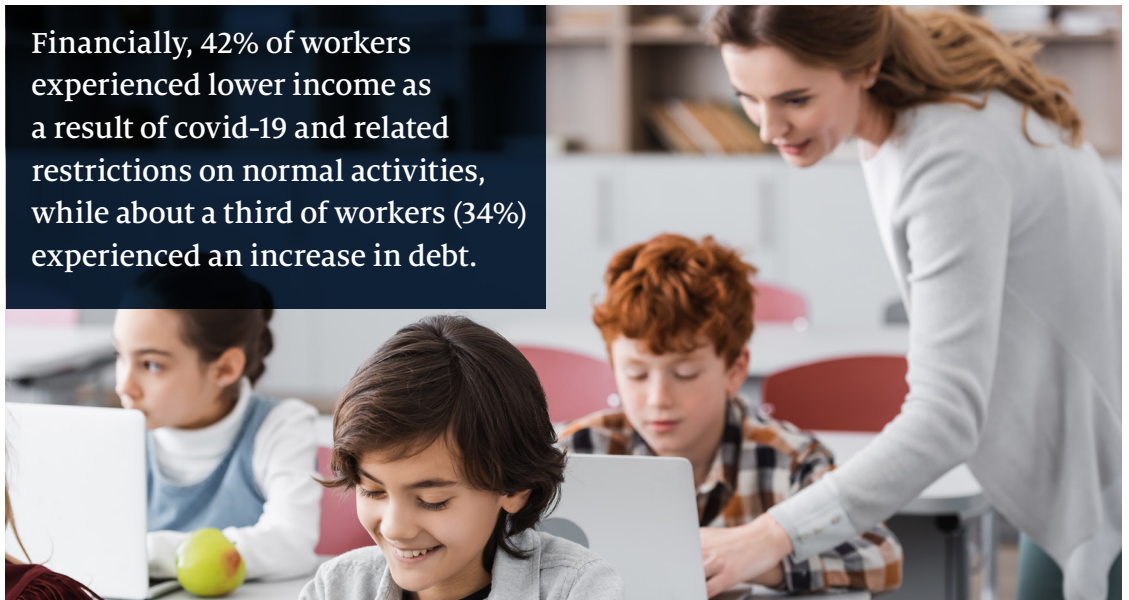
The toll that covid-19 took on workers' wellbeing was significant, as workers who reported negative effects of covid-19 on their and their peers' physical, mental, social and financial wellbeing, respectively, outnumbered those who registered positive impacts. Close to 40% of those surveyed said the physical wellbeing of themselves and their colleagues had worsened. Close to half—47%—said the same regarding mental wellbeing, while 44% noted negative social wellbeing impacts.

Financially, 42% of workers experienced lower income as a result of covid-19 and related restrictions on normal activities, while about a third of workers (34%) experienced an increase in debt. Additionally, financial

concerns remained widespread and a majority of respondents were at least somewhat worried about long-term retirement (61%), their ability to pay for an unexpected expense (55%) and their ability to make a good living (55%).

Perhaps surprisingly, given concerns early in the pandemic about major public sector layoffs, more than two-thirds—71%—of workers feel confident about keeping their job in the next three years. There's good reason for confidence, beyond a rebounding US economy. Despite the negative outlook faced by state governments early in the pandemic, total state revenue was down by just 1.8% year on year during April-December 2020. In fact, the US\$600/week federal supplements allowed unemployed individuals to keep spending, which meant that state governments kept collecting revenue and avoided some of the catastrophic consequences. In addition, most employment losses during the pandemic were technically furloughs or temporary layoffs—with many people confident in their job prospects as the economy reopens.

Financially, 42% of workers experienced lower income as a result of covid-19 and related restrictions on normal activities, while about a third of workers (34%) experienced an increase in debt.



Digital transformation has accelerated since the covid-19 pandemic, while also paving the way for the expansion of remote work.

The pandemic exposed the risks posed by ageing digital infrastructure in the public sector. The most prominent example, perhaps, was the inability of unemployment insurance systems administered by states to handle huge surges in demand. Many websites crashed.

No surprise, then, that surveyed senior managers say they'll be prioritising investments in digital technologies in the near future. Specifically, in the next two to three years 54% of them expect their organisation to significantly/moderately increase investments in data security and protection. Meanwhile, 51% and about 47% expect similar increases in cybersecurity and cloud technology, respectively.

As their organisations integrate digital technologies into operations, senior management expects to grapple with tech skills gaps. When asked which skills gaps will be most critical to address while responding to current and near-term business challenges, information technology/data security was the top choice, tied with human resources.

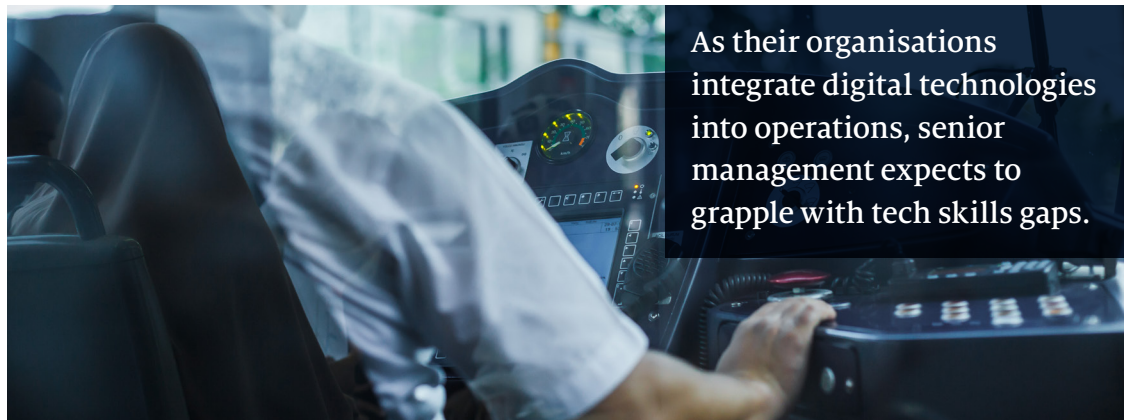
Figure 1. Public sector senior management see the most critical skills gaps in human resources and IT/data security.

Which functions will skills gaps be most critical to address in responding to current and near-term business challenges? (Top five responses)

- 1) Human resources
- 2) IT/data security
- 3) Executive leadership
- 4) Operations/logistics
- 5) Strategy and planning

Source: Economist Impact

The expansion of digital technologies also facilitates a significant increase in remote work, which has been embraced by both senior management and workers. Around two-thirds of senior managers mentioned that their organisation had recorded a moderate/high increase in investments on the remote work experience since covid-19, and 54% anticipate a similar increase in this area over the coming two to three years. On the other hand, about three-quarters (74%) of surveyed workers either began or increased the amount of time worked remotely, with a majority noting they would like to continue working remotely at least part of the time.



Conclusion: From crisis to recovery

Eighteen months into the pandemic, many workers across the public sector are understandably exhausted. Some faced heightened risk of covid-19 infection while working on the frontlines in transit, education, public safety and public health. Others were tasked with digitally evolving essential services on the fly as offices closed.

All these efforts proved the value of government, but also took a toll on the wellbeing of workers. As we continue efforts to control the pandemic and significant federal aid from the American Rescue Plan Act is now flowing to states and local governments,

the public sector is charting the recovery of communities across the country. There's plenty to be done, including pushing digital transformation efforts forward. But senior management would do well to first listen closely to the needs of workers and then strengthen efforts to bolster their wellbeing and sense of value. For instance, when it comes to those workers who voice their inability to work remotely, organisations still have a responsibility to create an ideal work environment to retain them. A healthy workforce and positive working relationship, after all, can help attract talent—which public sector organisations will need as they tackle post-pandemic challenges.

A healthy workforce and positive working relationship, after all, can help attract talent—which public sector organisations will need as they tackle post-pandemic challenges.



Endnotes

1. *The New York Times*, "Virus Did Not Bring Financial Rout That Many States Feared", <https://www.nytimes.com/2021/03/01/business/covid-state-tax-revenue.html>
2. Pew, "How COVID-19 is Driving Big Job Losses in State and Local Government", <https://www.pewtrusts.org/en/research-and-analysis/articles/2020/06/16/how-covid-19-is-driving-big-job-losses-in-state-and-local-government>
3. Politico, "America's unemployment system failed when it was needed most. Can it be fixed?", <https://www.politico.com/news/2021/05/19/america-unemployment-system-failed-pandemic-483100>

While every effort has been taken to verify the accuracy of this information, Economist Impact cannot accept any responsibility or liability for reliance by any person on this report or any of the information, opinions or conclusions set out in this report. The findings of the research and opinions on the outcomes solely represent the view of Economist Impact and do not necessarily reflect the views of the sponsor.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT or its affiliates. PRIAC is a Prudential Financial company.

© 2021 Prudential Financial, Inc. and its related entities. Prudential, the Prudential logo, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.

1052007-00001-00 PSEC_BR_RE2_01 09/2021