



RewardGateway
the employee engagement people

Battle the Rising Cost of Living With Impactful Savings for Your People

How to innovate and impact your
business under cost constraints



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Introduction

Hi there,

I'm Kylie Green, the SVP of Global Sales at Reward Gateway, and I've been privileged to partner with people and culture leaders for more than 20 years. Every year, there is typically a key challenge or issue that impacts our industry, and demands HR leaders' attention. Rising cost of living is definitely a key challenge for 2023/24 and it creates pressure for both our people and our organisations.

We know that to achieve our business goals, we'll need our people to feel engaged and productive. Yet, with many Australians facing financial pressure, our people will likely need extra support. However, in many HR departments, managing pay rise pressures with a disconnect between budget realities and remuneration review expectations has been a challenge.

It's common in this climate to feel somewhat restricted. And, with inflation increases and other cost challenges impacting Australian businesses, it's like we're being asked to do more with less.

Our people are feeling the pinch in their own budgets, too, as Australians brace for further cost of living increases - with the likes of housing, fuel and grocery bills topping the list of concerns.

What's more, it's predicted that consumer prices will rise higher than the average wage growth for the second successive year.

It certainly gives HR leaders a sizable challenge and it has caused many a sleepless night for

HR executives caught in the middle. But it also represents an exciting opportunity for the innovators in HR. What if? What if it doesn't have to be this stressful? What if this can be a wonderful opportunity to make the most of your budget while also adding to your overall people experience? Sound impossible? It doesn't have to be. This eBook will explore a couple different ways to turn your HR budget challenges into an opportunity.

Let's get started.

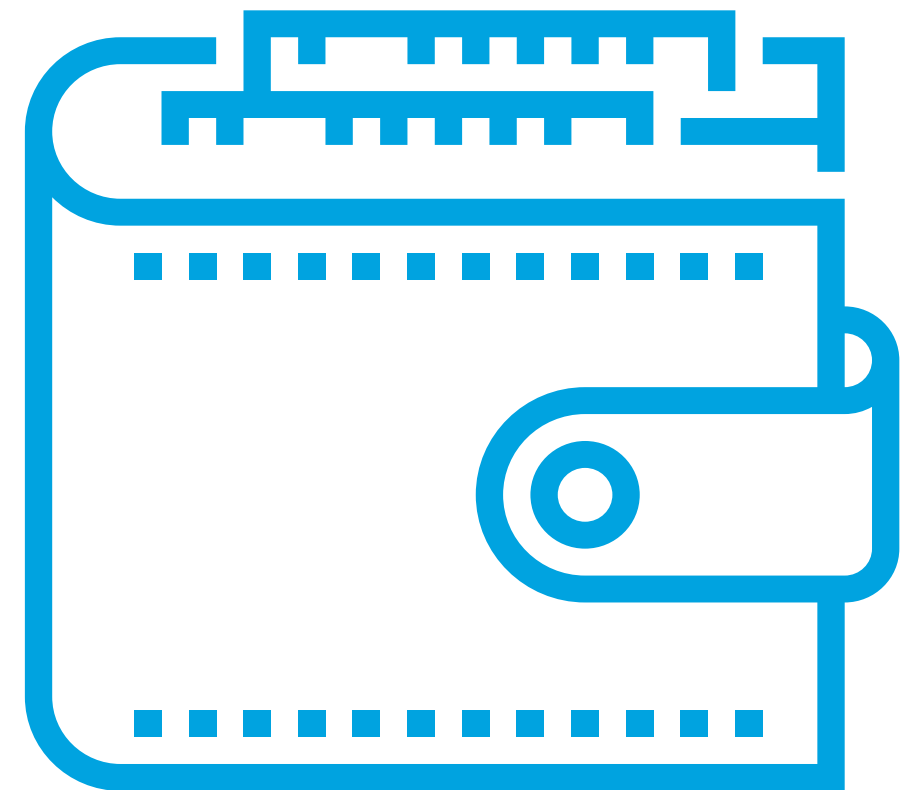
Sincerely,

Kylie Green, SVP of Global Sales

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A Look Inside Cost of Living Pressures



Businesses are continuing to deal with the operational and financial impact of cost of living pressures amidst the War for Talent. Recent reports show that the current inflation rate is the highest its been since the 1990s, more than twice the paces of wage growth.



The day-to-day is getting more and more expensive

Recent reports are showing that there are many costs that will be increasing, including your weekly food shop, rent, rail fares, and the significant hike in energy bills. Consider:



Between December 2021-2022, headline inflation in Australia rose by 7.8%. ([Mozo.com.au](https://www.mozo.com.au))



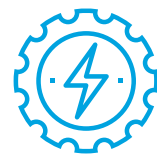
Household spending increased for both services (+28.2%) and goods (+8.6%) in 2022. ([Australia Bureau of Statistics](https://www.abs.gov.au))



The cost of food and non-alcoholic beverages was the second-largest household expense, only after housing costs. ([Australian Bureau of Statistics](https://www.abs.gov.au))



The average household spent \$384.86 each week on transportation from October-December 2022. ([drive.com.au](https://www.drive.com.au))



Benchmark electricity prices are predicted to rise by over 20% from July. ([abc.net.au](https://www.abc.net.au))



And a pay rise won't solve it (seriously!)

As HR professionals, you're expected to drive results — real, tangible results that your stakeholders understand and appreciate — in an often cost-restricted environment. While employees are facing rising costs, so are businesses. The increasing cost of doing business in general means that those costs have to go somewhere, putting pressure on business leaders everywhere (especially HR) to figure out new ways to mitigate these rising costs.

The rising global price of energy and increasing inflation is putting pressure on companies everywhere to pass on the costs to customers. So how can HR leaders keep their budgets intact?

The cost restriction is apparent.

So I find that HR leaders are now encountering two challenges:

- 1. How can you enhance employee engagement and support your people to limit the impact of a true financial crisis?**
- 2. And how can you innovate, make a stronger employer brand and drive real results to make an impact, with a limited budget?**



With costs rising everywhere, where is the opportunity?

According to the Australian Bureau of Statistics, consumer prices rose **7%** and wages just **3.3%** last year. As wages failed to keep up with the cost of living, **38%** of Australian workers have been left worrying about money on a weekly basis, with energy costs up by over **18%** and fuel costs by over **26%**.

While low wage growth has been a consistent factor over the last few years, there are a few immediate factors contributing to the rapid cost of living increase in 2023, including:

- **Fuel costs soaring following Russia's invasion of Ukraine.**
- **Food prices rising following disruptions to global supply chains caused by the pandemic.**
- **Housing costs increasing with fixed-interest**

rates already rising, and rents at record levels.

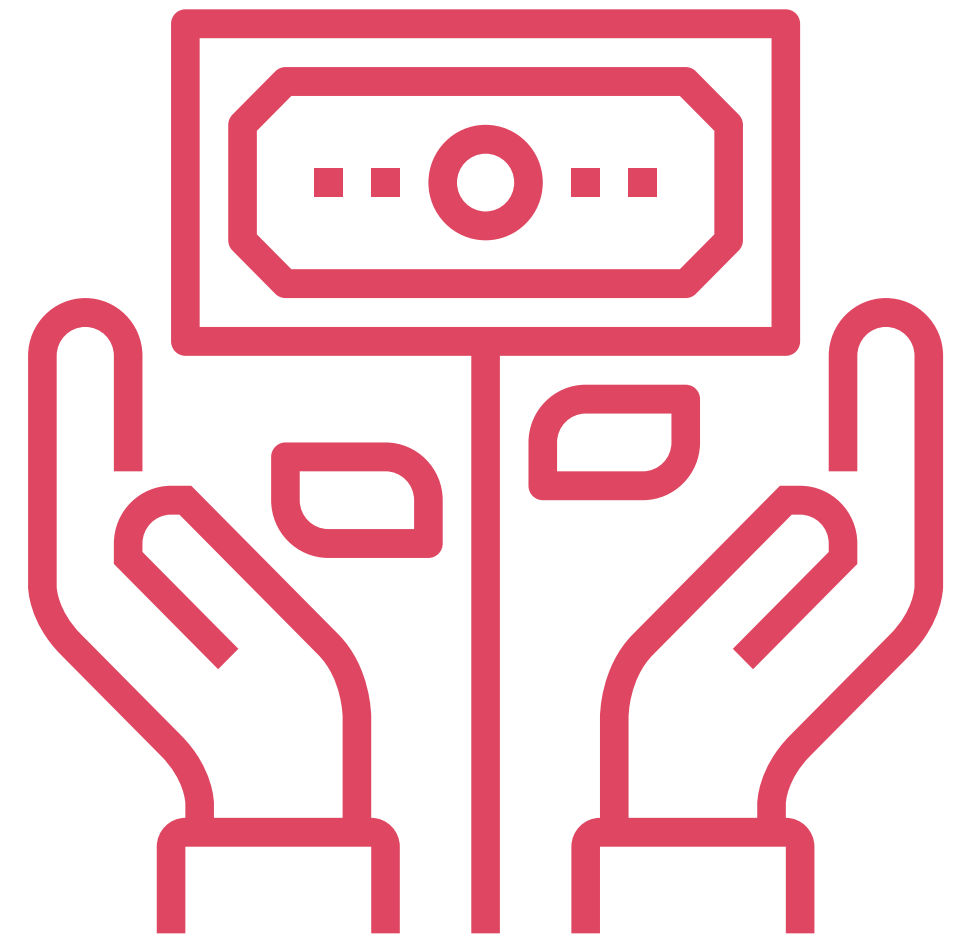
In a relatively short space of time, the average Australian's three biggest household bills just became more expensive.

Employees will be expecting salary increases and tax breaks will counteract this. Though, with your business also likely feeling the bite of inflationary pressures – how can you deliver on that expectation, with your 'budget reality' this year?

Cost of living, pay increases, rising business costs – it's hard not to get caught up in the numbers. But, by shifting your focus to a wider goal – driving engagement and strengthening your EVP – you can make both your employees and your leadership happy.



How to Invest in Your People With a Limited Budget



True job satisfaction is about more than salary for the majority of people. And though it might not seem it at first, the perfect opportunity to improve and strengthen your EVP, while still hitting your numbers, is right in front of you.

The unemployment rate has held steady in a [near 50-year low at 3.5%](#), and market evidence suggests there's a talent surge. Organisations are finding they need a really strong Employee Value Proposition (EVP) and must be able to articulate why a candidate should join them, and why their existing people should stay. Innovative companies are taking advantage of this opportunity.

The secret to investing and improving (with limited budget)

Now it's time to get to our secret. Your HR team probably have a long wish list of initiatives they are eager to implement to help deliver your people objectives. So what can you do? Invest in an all-encompassing engagement solution, one that will help not only your current challenge but help your company's future as well.



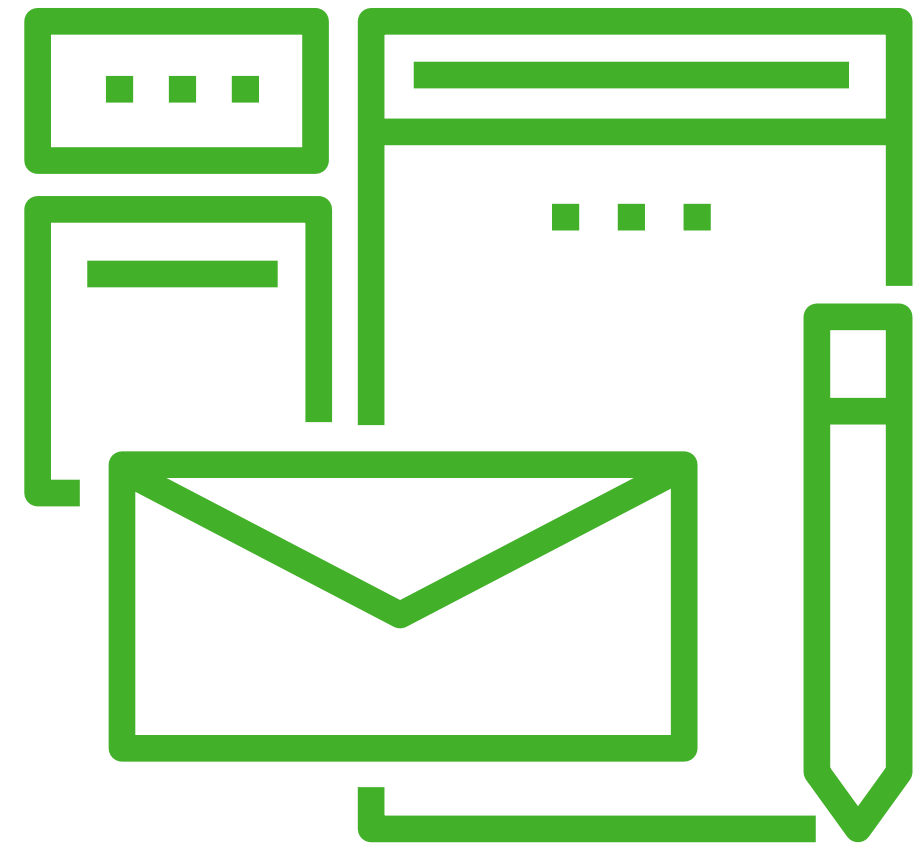
The ROI of employee engagement solutions

The benefits of investing in an engagement solution are well documented, with plenty of surveys showcasing the impact on retention, absenteeism and, ultimately, profitability. Aon Hewitt's engagement survey supports the business case for increased employee engagement, showing that companies with heightened, double-digit growth have employee engagement scores on average of 63%. And that's 20% higher than companies with single-digit growth! But even with a great ROI, gaining support behind for business case is significantly more challenging if you are in a period of cost control.

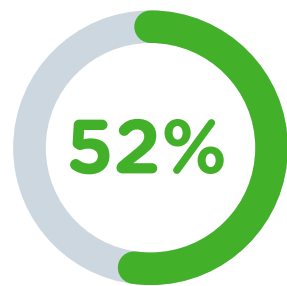
The good news is that with a bit of creativity you can become an HR Superhero in your business. **If you take a very small portion of your employees' post-tax wage increase and reappropriate it to an investment in your employer brand, you can re-invest in your employees, and watch their disposable income grow.**



Get Innovation Back on the Agenda



We've talked about shifting your focus, and I want to explore this a little more. Your employer brand is the one thing which solely focusses on building a great place to work in the minds of both current and future employees. If you shift your mindset to focus on this information when looking at the end-of-year numbers, then naturally, everything you do falls into supporting this goal: **Building a better place to work.**



Our **2023 Employee Engagement Trends Report** found that a full 52% of Australian employees want their employer to increase their investment in employee reward and recognition.

What are you doing to make your world a better place to work?



Your EVP is working for you

A dedicated partner

Your EVP is made up of all the things that makes your business different (and great) for your employees and when you get it right, it is working for you 24/7/365 days per year.

Your EVP should be:

Unique: Incorporating your corporate and employer brand, and your mission, vision and values

Relevant: Meaningful to the people you employ, taking into account your workforce demographic

Compelling: Evoke interest and excitement in a powerful way

A compelling EVP is a driver for attraction, engagement and retention. It's worth the time and attention to explore new and fresh initiatives that will deliver an even better experience to your people.

Re-invest in your employees, and watch their disposable income grow

The good news is that with a bit of creativity you can become an HR superhero in your business. If you take a very small portion of your employees' post-tax wage increase and reappropriate it to an investment in your employer brand, you can:

1. Take the spotlight off the annual performance review and reposition it firmly over your EVP and all the things that make your organisation a great place to work.
2. Increase your employees' disposable income.



Disposable income data from the Australian Bureau of Statistics paints an alarmingly unequal spread of wealth across Australia. The top quintile earn almost as much as the other 80% of households combined.

As a ratio, households earning in the highest quintile on average earn **12 times** the average bottom quintile income.



But by taking on a very small investment, you can increase that number.

A **0.1%** investment represents an opportunity to increase an individual's disposable income by **3%-8%** per year.

This equates to an average annual savings per employee as **\$2,000** (single) - **\$4,000** (family).

Source: Household Income and Wealth, Survey of Income and Housing 2019-20, Australia, Australian Bureau of Statistics, 2020.

Consider this scenario:

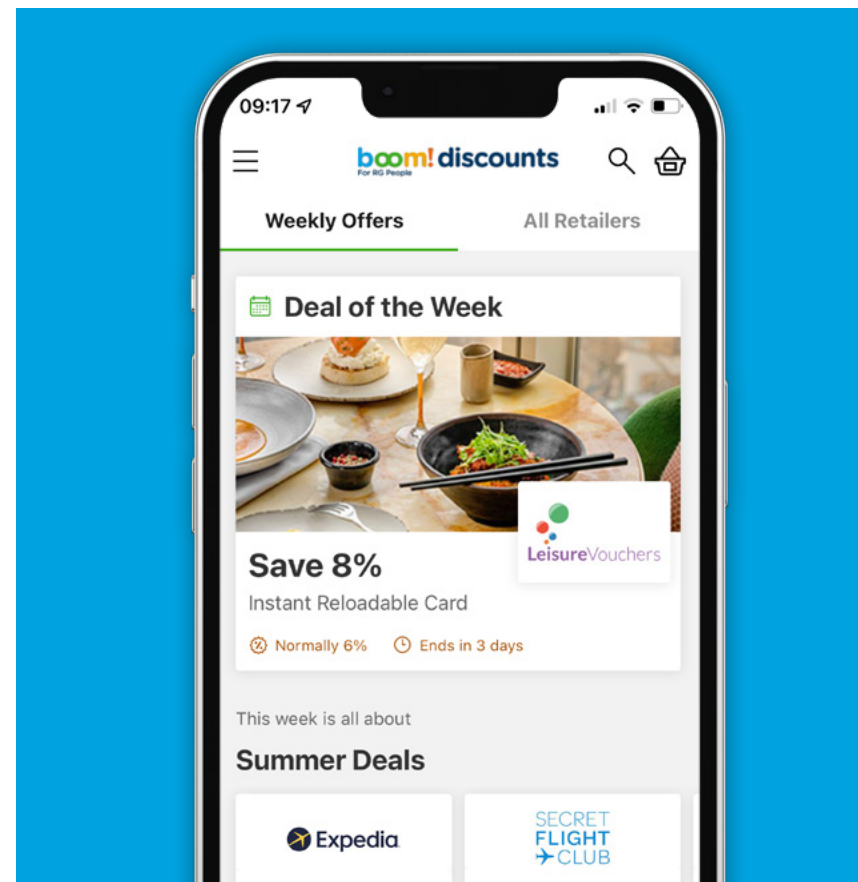
As an employee:

- Your average weekly grocery bill is **\$185** per week (according to Finder's Consumer Sentiment Tracker).
- If you saved 5% on your groceries each week, that represents **a savings of \$481 per year** on one benefit alone.

As an employer:

- Give employees a benefits program that provides 5% discount on groceries instantly.
- Increase disposable income over the average tenure of employees in Australia (3.3 years).
- Give a sizable increase in disposable income to your employees, provided over the course of the average tenure.

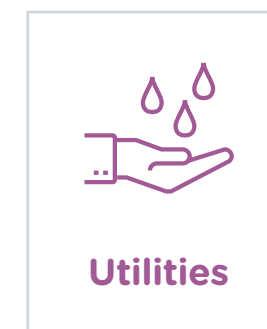
Whether you are stretching your employees' disposable income on everyday essentials or luxury items like fashion or holidays, a cleverly designed benefits initiative can provide a high multiple return on your investment in your people.



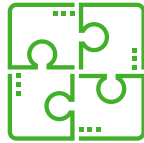
A benefits program to stretch disposable income

Our benefits solution provides instant discounts and Cashback to hundreds of top retailers in Australia for a boost to your employee engagement strategy - and your employees' income, too.

Available anytime, and on any device, the innovative benefits initiative can provide a foolproof way to invest a small portion of your budget into a long-lasting opportunity. Employees save on:



Find out more at rg.co/audiscounts



Introduce a cost-neutral solution

By introducing a solution that aligns with your pay review and engagement initiatives – but from the same budget – you’re more likely to gain approval as it’s a huge positive for the company, with no additional investment. This is a highly effective strategy that involves allocating a portion of your annual pay review budget to your engagement initiative.

Here’s a look at how this works in reality, based on a business that is looking to give their **1,000 employees** a **3% company-wide pay rise**:

Option 1: Without the cost-neutral solution (a regular pay rise situation)

Average Salary	Employees	Pay Cost	Salary Review
\$80,000	1,000	\$80,000,000	3%

Additional Cost on Salary Review	\$2,400,000
Additional Payroll Tax	\$116,400
Additional Superannuation	\$228,000
Total Additional	\$2,744,400
Gross Increase PA Per Employee	\$2,400
Less Tax	\$828
Net Increase PA Per Employee	\$1,572
Weekly Increase	\$30.23

*Based on spring 2022 figures

Option 2: Sample Salary Review With Cost-Neutral Engagement Initiative

Average Salary	Employees	Pay Cost	Salary Review Budget	Salary Review	Engagement Initiative
\$80,000	1,000	\$80,000,000	3%	2.8%	0.2%

Additional Cost on Salary Review	\$2,240,000
Engagement Initiative	\$160,000
Additional Payroll Tax	\$108,640
Additional Superannuation	\$212,800
Total Additional	\$2,561,440
Gross Annual Increase PA Per Employee	\$2,240
Less PAYE Tax	\$773
Net Annual Increase PA Per Employee	\$1,467
Weekly Increase	\$28.21

Table B highlights the alternative with the cost neutral solution in play. The scenario is the same, 1,000 employees, an average salary of \$80,000 and a 3% allocation for remuneration review. However, in this case, 0.2% of the remuneration review has been allocated to the engagement initiatives. The net result is an after tax increase of \$28.31.

The difference to employees is only \$1.92 per week, something that they’re not likely to notice. But what they (and your leadership team) will notice is the potential impact that an effective engagement initiative can achieve by helping to regularly reinforce your EVP and employer brand.

Companies that have implemented this cost- neutral solution have typically budgeted their initiatives (remuneration review and engagement strategy) together but implemented them at separate times, so it provides two opportunities for good news stories to better connect employees.

What it looks like to your employees:

The right type of benefits program provides everyday, real savings that positively benefit an employee's disposable income, and their families as well. While you can't give them that high pay increase to fully neutralise the effects of cost of living pressures, you can give them the opportunity to save on everyday essentials and put money back in their pockets. Here's a look at the typical savings from some of our clients:



SmartSpending™

Meet Henry

Henry is a 47-year-old man, living with his two children outside of the city.

BEST RESTAURANTS OF AUSTRALIA goodfood

\$192 savings

Cover·More TRAVEL INSURANCE

\$60 Cashback

DYMOCKS

\$30 savings

EVENT CINEMAS

\$15 savings

coles

\$832 savings



\$75 savings



Overall, from using his employee benefits program, SmartSpending™, he has managed to save **\$1,204** for the year.



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SmartSpending™

Meet Nicole

Nicole is a 29-year-old woman living in the city with her dogs, Bennie and Lucy.

Woolworths 

coles

\$416 savings

COUNTRY ROAD THE ICONIC

\$312 savings

HOYTS
HOYTS.COM.AU

\$400 savings

PETBARN

\$150 savings

 endota

\$109 savings



Overall, from using her employee benefits program, SmartSpending™, she has managed to save **\$1,387** for the year.

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SmartSpending™

Meet Sam and Bonnie

Sam and Bonnie are in their mid-30s living in the suburbs. They're avid travellers!

Hey YOU

\$164 savings

COUNTRY ROAD WITCHERY

\$173 savings

Uber

\$108 savings

 vodafone

\$120 Cashback

Booking.com

\$462 savings



Overall, from using their employee benefits program, SmartSpending™, they have managed to save **\$1,027** for the year.

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How much will your employees save?

Introduce a benefit that saves up to **\$4,000** annually!



Single - Annual Savings

Petrol
\$214

Groceries & Household
\$390

Dining/Take-Away/Entertainment
\$533

Retail
\$630

Cinema Tickets
\$20

Sports/Theatre/Attractions
\$25

Travel
\$420

Total Annual Savings
\$2,232



Couple - Annual Savings

Petrol
\$225

Groceries & Household
\$450

Dining/Take-Away/Entertainment
\$500

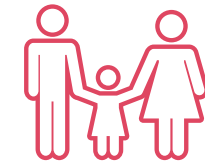
Retail
\$950

Cinema Tickets
\$48

Sports/Theatre/Attractions
\$90

Travel
\$350

Total Annual Savings
\$2,613



Family - Annual Savings

Petrol
\$911

Groceries & Household
\$1,300

Dining/Take-Away/Entertainment
\$422

Retail
\$860

Cinema Tickets
\$64

Sports/Theatre/Attractions
\$147

Travel
\$480

Total Annual Savings
\$4,184

Based on 2020 savings data from Reward Gateway clients.

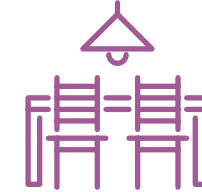
Your employees can save at hundreds of top retailers that align with their shifting needs, including:



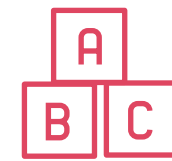
Cost of Living



Travel



Home



Kids and Families





The key to success is usage. You can have the flashiest platform in the world, but if your employees aren't using it, you aren't getting the true value of your investment.

The launch is arguably one of the most important pieces to pave the way to success. That's why you should never skip over asking providers how they'll help you launch your platform with a bang.

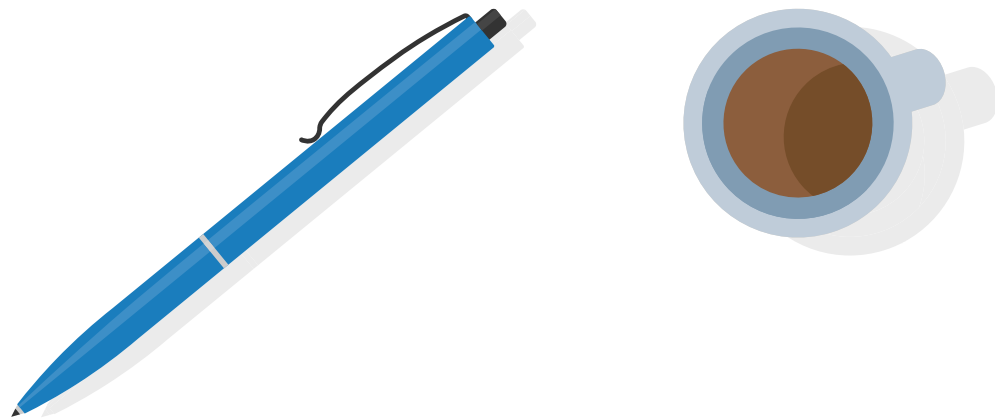
Consider:

- Are you provided with an expert implementation and launch team to give you guidance?
- Do you have support in creating launch materials (e.g. posters, flyers, direct-mailers or launch videos) to get your people excited?
- Is there manager or leadership training available to support with driving adoption?

And while it's good to spend a lot of time on this up front, pre-launch, make sure it doesn't stop once your platform is live. Continued employee communications are the key to success, using insights from platform usage to drive ongoing engagement. How will your provider help you get your people excited?

Reward Gateway's Client Success Managers provide clients with strategies for how to best communicate and launch new employee engagement hubs, which include developing materials aligned to the platform's brand and design, as well as teaser campaigns to get people excited in the lead-up.

We enlist the help of leadership and employee champions to get on board early and support with driving adoption and work on print and online content, teaser videos, animated how-to videos and webinars to help your people get to know their new benefits program.





Conclusion

Employee benefits form one part of your engagement journey. They provide a unique opportunity to make a high-impact, quick win on your executive team's most pressing issues. They support you to increase disposable income, enhance your employees' experience and improve your EVP.

It's all part of making sure you're there for your people, supporting them in the areas they need it most to ease their financial burdens.

What's more, the ability to increase your employees' disposable income in significant ways every year will reduce the impact of below-expectation pay reviews – especially during periods of cost minimisation.

I hope this eBook provided you with some inspiration on how you can become an HR Hero and put in place a benefits program that will truly help your people, without adding to your company's bottom line.

I wish you the best of luck on your benefits journey and we're always here to help!

Sincerely,

Kylie Green, SVP of Global Sales

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About Reward Gateway

Reward Gateway helps companies engage, motivate and retain people – every day, all over the world. Partnering with over 4,000 companies in 23 countries, we empower more than 6.5 million employees to connect, appreciate and support one another to make the world a better place to work. Our unified employee engagement hub provides the best of recognition, reward, surveys, benefits and discounts that support the overall wellbeing of our clients' employees, enriching their talent acquisition, retention and values-driven growth. Our clients include American Express, Unilever, Samsung, IBM, McDonald's and more.

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