

# The Cost of Living Crisis Report

Supporting your people  
through cost of living increases



This report is presented by



**RewardGateway**  
the employee engagement people

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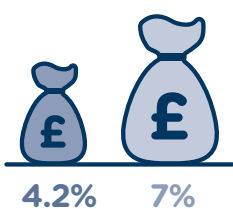
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# Surviving the Inflation Squeeze

**As the world reels from the impact of the pandemic, global conflicts and economic turmoil, the cost of living is spiralling up, and fast. Driven by inflation rates at 40-year highs<sup>1</sup> and predicted to surpass 10% this year in the UK,<sup>2</sup> the cost of consumer goods, raw materials, transport and energy is sharply upturned, with the average annual UK energy bill set to rise by £800 this October.<sup>3</sup>**

Skyrocketing costs are locking employers and employees in a delicate dance. Companies are feeling significant financial pressure as bills mount. Nearly 70% of HR decision-makers agree the increasing cost of doing business is negatively impacting their HR budgets for 2022,<sup>4</sup> leaving them little wiggle room for salaries, benefits and hiring costs. If anything, companies are looking to cut costs and raise consumer prices.

## Wages are, in fact, increasing:



Average employee regular pay grew **4.2%** from January to March 2022,<sup>5</sup> with a whopping **7%** growth in total pay (including bonuses).

But employees are finding that any wage boosts their companies are able to afford are being outpaced by inflation.<sup>6</sup>

## The War for Talent intensifies

As if these tough circumstances weren't enough, compounding them is the ongoing War for Talent. The UK Office for National Statistics labour market figures released this May show that, for the first time since records began, there are more job vacancies than unemployed people in the UK.<sup>7</sup>

This imbalance is creating opportunities for workers, who are now even better positioned to take advantage of the job-seeker-friendly market and find a higher-paying post. Many are having to make difficult decisions: weighing the benefits of staying with their current employer against driving up their buying power in today's economic climate.

And the War for Talent continues to challenge companies, with the need to raise salaries and recruitment costs to battle against a worsening shortage of workers — budgets they are now hard pressed to find as the cost of doing business edges up.

“

**“Retention is becoming as important as recruitment in maintaining a steady workforce. The redundancy rate is below pre-pandemic levels as employees seek to stem the flow of workers out of the firm.”<sup>8</sup>**

Jonathan Boys,  
CIPD labour market economist



## Recalibrating for the road ahead

In such a perfect storm of fundamental shifts, stepping back for a temperature check can provide critical insights for riding out the next wave of change on the horizon.

**A recent study by Reward Gateway, an award-winning HR technology company, surveyed 3,800 employees and senior HR decision-makers from companies<sup>9</sup> across the UK, Australia and the U.S. to better understand what employees and employers are going through, and where they can find common ground.**

Survey results point clearly at a primary shift in employee mindsets, expectations and must-haves. The data sends a strong message to employers about what they need to do to help employees weather ongoing cost of living increases and become an employer of choice in the post-pandemic world of work.

## Bringing awareness and increased uptake to employee benefits



One of the ways organisations are navigating the cost of living crisis are through extra attention paid to benefits on offer, whether adding new, low-cost benefits for employees to help them shoulder financial burdens, or bringing attention to benefits that employees may have forgotten about.

A Reward Gateway client, St. James's Place Wealth Management, uses its newly-launched Total Rewards Statement and centralised benefits hub to show its near-2,000 employees all the benefits they have in one place, leading to higher takeup and improved employee satisfaction. The team recently moved their paper-based TRS's, which were delivered annually, to a digital format that employees could access anywhere, anytime, whilst the HR team can make changes to it quickly and easily. To date, 97% of its employees are registered on the 'My Rewards' benefits hub, which gives employees access and awareness to benefits such as dental, medical, pension, share schemes, EAP, holiday trading, employee discounts, cycle to work and more.

The team has received positive feedback from employees, who say the platform has made their reward and benefit policies 'really easy to find,' as they are all now accessible in one place.

# The Evolving Dynamics of a Global Workforce

As the power balance shifts even further in the direction of workers, and companies strategise to attract and keep the best talent, the coming year will be a vital time to understand and address employee needs. Read on for seven key insights from the Reward Gateway report into the evolving dynamics of a global workforce.

## Insight #1: Cost of living increases are taking their toll on work

Escalating costs of consumer and household essentials like energy, mortgage interest and transportation are shrinking the disposable income of employees and tamping down the standard of living for families across the world. According to the Tony Blair Institute for Global Change, **workers in the UK will need average pay rises of 8%** this year just to maintain their living standards.<sup>10</sup>

The financial strain of not keeping up with inflation is taking its toll on the physical and mental wellbeing of employees and their family members. The Reward Gateway survey revealed that many HR managers feel this stress is moving beyond the home to affect employees' performance on the job.



It's understandable that workers facing financial hardship are not at their best. As quality of work takes a hit, employers risk not only a drop in corporate productivity but also an attrition hit, as workers search for (and leave for) jobs that pay better and that may take better care of their wellbeing.

## Insight #2: Must-haves for employees are shifting

The confluence of pandemic recovery and high inflation is laying the groundwork for some other primary shifts in the priorities of workers across the world. The Reward Gateway survey saw the top five global employee must-haves take some interesting turns from 2021, with a surge in the importance of both flexible working and wellbeing support, displacing other critical priorities like trust and communication.

### The top 5 employee must-haves in 2022 in all geographies surveyed are:

1



#### Fair pay

Fair pay, a key factor in maintaining standard of living, remained the top must-have from 2021 to 2022. Three quarters of employees in the UK and Australia indicated this was a must-have and more than half of employees in the U.S.

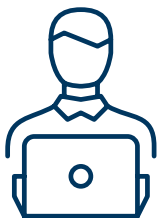
2



#### A manager who cares about their employees

A caring manager continues in second place from 2021 to 2022, showing that bosses can really set the tone for a positive working life.

3



#### Flexible working

A big jump from fifth to third for this must-have as post-pandemic return-to-work and work-from-home policies get worked out. People who are working from home are sending a clear message that they want to stay there.

4



### Trusted leadership

While it's critical to trust company leadership, especially in today's global environment of distrust and division, this must-have moved down from third to fourth place, demonstrating how pressing other concerns are becoming.

5

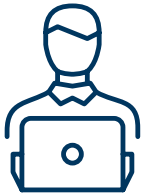


### Financial, physical and mental wellbeing support

For the biggest shift of all, the need for wellbeing support in the workplace moved up from eighth place, bumping 'A culture of open and honest communication' out of the top five. Again, a sign that wellbeing needs are bubbling to the top even in today's atmosphere of distrust.



**In fact, 40% of employees in all locations surveyed would leave a job that didn't offer them:**



**Flexible working**



**Financial, physical and mental wellbeing support**



**Reward and recognition**

### **Identifying opportunity from top employee needs**

It's fair to say that the workplace has changed significantly, with organisations continuing to evolve and innovate new ways of working.

Even though many employees missed the humanity of face-to-face interactions during the pandemic work from home era, many organisations actually benefitted from greater communication, better online collaboration tools for keeping on track and in touch, and more internal communication from leaders to engage employees in strategy and direction. And as the pandemic has stabilized, people have less urgent need for the constant communication relied on in 2020 and 2021.

**One thing's for sure in the current era: Employees are now demanding flexibility in return-to-work policy planning and support for financial, mental and physical wellbeing over and above their expectations for communication and trust in leadership.**

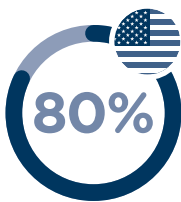


### Insight #3: Employees are getting back to basics

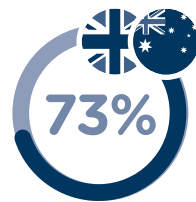
The survey also demonstrates a renewed focus on household essentials over nice-to-haves as employees struggle with rising costs.



of global employees would use any financial rewards received from their workplace for essentials rather than luxuries.



in U.S.



in UK and  
Australia



for households  
with children aged  
18 and younger

This significant emphasis on necessities stretches beyond what HR Managers expected: **only 69% thought that employees would spend their workplace financial rewards on essentials.** The upshot of this finding is twofold: One, that employees must be offered the flexibility to choose how they spend their rewards. And two, that they need a broad array of discount and reward possibilities to cover what they consider essentials.



## The Keys to Attracting and Retaining Top Talent

**The survey results send a clear message that employees across the world are struggling at home, and that this stress is spilling over into the workplace. And it's also evident that employees expect their companies to help them meet this demonstrated need for support, resources and flexibility.**

The 2022 Edelman Trust Index backs up the need for business leadership to take more responsibility for the wellbeing of people and society. More and more people every year feel that businesses should be accountable for addressing societal problems, with 60% of people choosing a place to work based on their beliefs and values.<sup>11</sup>

It's rare to find an employer who does not want to build and strengthen teams that will continue to drive corporate success. This is the vision, but reaching it is tough when companies are getting squeezed between rising costs and the need to spend more on attraction and retention. Not every organisation can afford the high-cost, multi-year expense of company-wide pay rises.

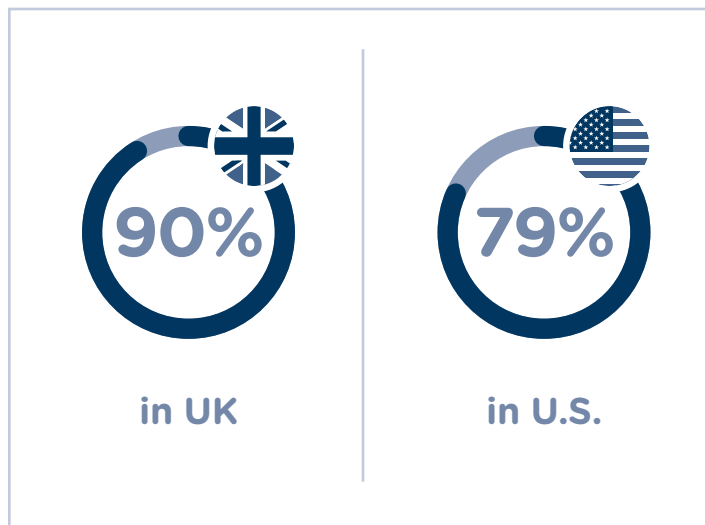
### Meeting employee needs outside of pay increases

Though no one can control the market and economy, there are simpler solutions available: meaningful investments that can keep engagement and morale high while attracting new talent. Readers may recall that 'A manager who cares about their employees' ranked second in employee must-haves in this year's survey. Leadership in the form of empathy and compassion for employees can go a long way.

**What does the survey say about what employees want from their workplaces? Read on to find out how employers can best respond to employee needs and create a workplace culture of gratitude and mutual respect.**

## Insight #4: Peer recognition is still the most important reward

In today's favourable market for workers, managing employee experience and engagement is more important than ever. But over the last two years, with a suddenly largely remote workforce, HR professionals are facing a whole new set of challenges to ensure employees feel appreciated and motivated. One thing remains the same, however: that employees' most critical need, outside of increasing pay, is simply to be recognised among their colleagues for their efforts, ideas and successes at work.



### Understanding the power of peer-to-peer recognition

As stated, outside of pay, reward and recognition are critical to keeping employees at their organisations. Because of this, Reward Gateway clients such as Majesticare, a healthcare provider with hundreds of employees in the high-turnover care industry, has put a renewed focus on reward and recognition in response to an employee survey that labelled 'a lack of recognition' as their top reason for leaving.

During the pandemic, several initiatives were adopted that continue to propel Majesticare's uptick in retention - with turnover dropping from 48% to 28% and recruitment and onboarding time decreasing by 36%.

Every week a different company value was chosen and then an employee was recognised for living those values, given a specially produced rose plant that they were able to keep and watch blossom. The tailored e-cards the team created with Reward Gateway also were redesigned to be more values-led, sparking an increase of nearly 100% usage year over year. The organisation's annual Star Awards see nominations across the Majesticare family, with a handwritten card, quotes of their digital nominations and a badge, complete with an all-expenses-paid awards night, trophy and yes, an actual star named after them.

Because of efforts like these, Majesticare now sees that 96% of their employees feel positive about their future at Majesticare.



Majesticare  
Luxury Care Homes

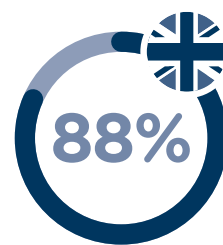


### Insight #5: Rewards for effort are highly valued

Outside of increasing pay, employees rank being rewarded for their workplace achievements a close second in importance to peer recognition. A financial reward like a gift card can ease financial strain with the added bonus of offering that all-important recognition for a job well done. An offer that is flexible enough for employees to spend as they wish demonstrates that employers are aware of and compassionate towards employees struggling with the cost of living.



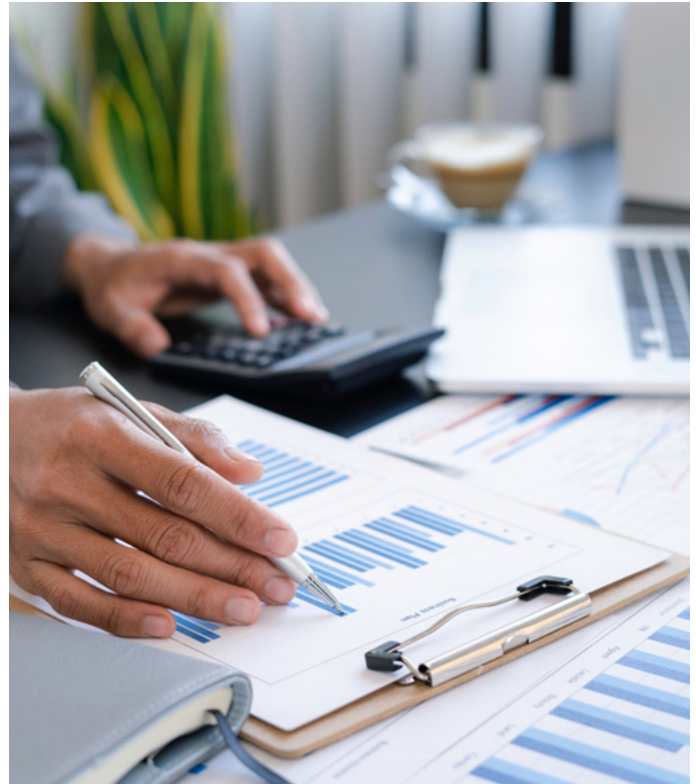
84% of global employees say it's important for employers to offer them a reward for their efforts.



88% in UK

### Insight #6: Employees want access to financial wellbeing resources

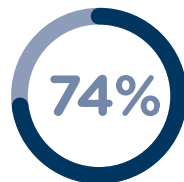
Workplace wellbeing studies show that while stress impacts many aspects of employees' lives, only 18% of employers offer financial wellbeing tools and resources.<sup>12</sup> Lack of financial knowledge results in workers relying on expensive and financially harmful practices, like the 59% of employees that rely on high-cost credit.<sup>13</sup> It's clear that, especially among younger workers, financial advice, tools and resources are not only very much needed, they can also have a significant impact on the financial wellbeing of employees. And the survey shows that they're also highly sought-after.



of global employees say it's important for employers to offer financial wellbeing resources and tools.



for ages 35-44



for ages 45-54



for ages 55+

## Insight #7: Communicating available benefits is critical

Online collaboration methods proliferated during the physical isolation of the pandemic, with connections to leadership and shared vision becoming even more important. With life returning to a new, more expensive normal, the survey shows that workers are now ready for stronger and more consistent communications about the benefits, rewards and support available through their workplace.

### To help them manage cost of living increases:



of global employees want their employers to make them aware of all the benefits available to them.

“




**“I think it’s really important to have a good platform to show your benefits and where employees can find benefits. It’s critical to evolve your benefits, too. The world’s always changing and there’s things out there that are changing. Evolve your benefits to align with what’s going on in the outside world as well.”**

Michelle Roden, Payroll Team Leader, PDSA



# Support Employees and Strengthen Your EVP

With the War for Talent showing no signs of abating, companies are deepening their efforts to enhance their employer brand by increasing focus on mental health and work-life balance. On the plus side, companies are discovering many innovative ways to enhance their value proposition to employees.

What you can offer	What this demonstrates to employees
 <p><b>Discounts</b></p>	<p>In the survey, 52% of UK employees (47% globally) wanted their employers to offer a discounts programme. A broad plan with a wide range of offers to choose from can give employees the flexibility they need to make their money go further.</p>
 <p><b>Benefits</b></p>	<p>Maximising uptake of the benefits offered both elevates the employee experience and boosts the return on your investment. Keep employees aware and excited about all the benefits available to them - 49% want you to.</p>
 <p><b>Recognition</b></p>	<p>Reward and recognition rank high for employees. Create a culture of appreciation, celebrate contributions and enhance engagement through a programme that offers flexible reward options from gift cards to merchandise to creative non-monetary rewards, like lunch with the CEO.</p>



<p><b>What you can offer</b></p>	<p><b>What this demonstrates to employees</b></p>
 <p><b>Communications</b></p>	<p>Connect and inform frontline, on-site and remote employees, keeping them up to date with company initiatives, culture, mission and values. Showcase what makes your company a great place to work through news, blogs and other online content.</p>
 <p><b>Wellbeing</b></p>	<p>A full 80% of global employees want their employers to offer financial advice, resources and tools, while 39% want access to mental wellbeing support. It's a win-win for employers: employees doing well physically, emotionally and financially are more productive and less likely to seek work elsewhere.</p>
 <p><b>Surveys and insights</b></p>	<p>Keeping in touch with employees' thoughts and feelings during this difficult time is critical. World-class benefits programmes include ways to monitor which teams are using benefits and recognition and how, giving you great insight into employee needs and where to put your engagement efforts.</p>





# Rewarding Programmes, Professionally Run

**Businesses have an important role in helping shape a better world and a better working life. Countless studies have shown that great workplaces are the ones that get the details right: engaging employees, thanking them for all they do and helping them through the tough spots in life.**

This latest study from Reward Gateway confirms that employees' struggles with cost of living increases are spilling over into the workplace, putting the onus on employers to lend a hand. The results demonstrate that workplaces that offer

flexible work policies, financial advice, wellbeing support and rewards that can be used for household essentials will be more attractive to employees, who are ranking these needs higher than ever before.

And it's clear from this report that whilst getting rewarded for good work is important to employees, recognition from peers and managers is still seen as even more important. In the end, whilst employees' needs have shifted in this atmosphere of massive change and challenge, they're still looking for a human workplace where they feel acknowledged and treasured.

<sup>1</sup> Forbes: What's Driving Inflation And Is It Sustainable? May 16, 2022

<sup>2</sup> SkyNews: UK economic growth will 'grind to a halt' and 10% inflation on the way. Jun 9, 2022

<sup>3</sup> BBC: Energy price cap: Typical energy bill set to rise by £800 a year in October, May 24, 2022

<sup>4</sup> Reward Gateway survey, 2022

<sup>5</sup> FENews: ONS Labour Market figures. May 17, 2022

<sup>6</sup> BBC: UK wage growth lags rising cost of living Feb 15, 2022

<sup>7</sup> FENews: ONS Labour Market figures. May 17, 2022

<sup>8</sup> CIPD: Tight labour market will force organisations to strengthen employment offer to attract and retain staff. Feb 15, 2022

<sup>9</sup> Companies surveyed were not Reward Gateway customers.

<sup>10</sup> Bloomberg: U.K. Workers Need 8% Pay Rises To Beat Living Standards Crunch, Jan 25, 2022

<sup>11</sup> Edelman: 2022 Trust Barometer

<sup>12</sup> HR Magazine: Money worries impacting employees' ability to sleep. Sep 30, 2020

<sup>13</sup> HR Magazine: Money worries impacting employees' ability to sleep. Sep 30, 2020



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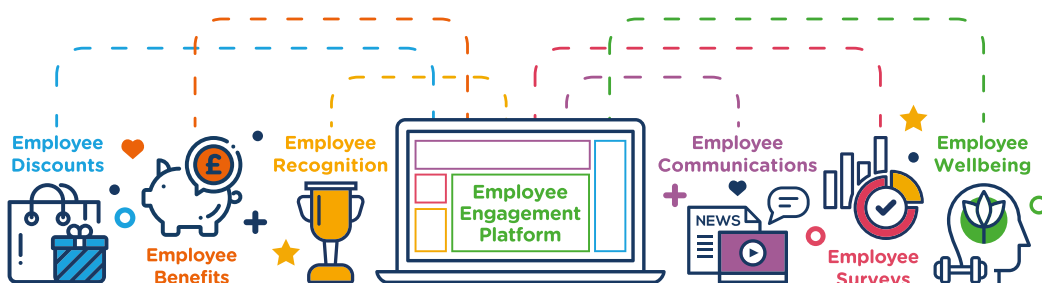


# Support employees with savings on essentials

Launch a new discounts programme in as little as 48 hours

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Reward Gateway delivers employee engagement solutions to more than 2,500 clients worldwide through our unified platform.



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