

Inflation & Impact on Global Pay

PARC Peer-to-Peer Exchange

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January 2023

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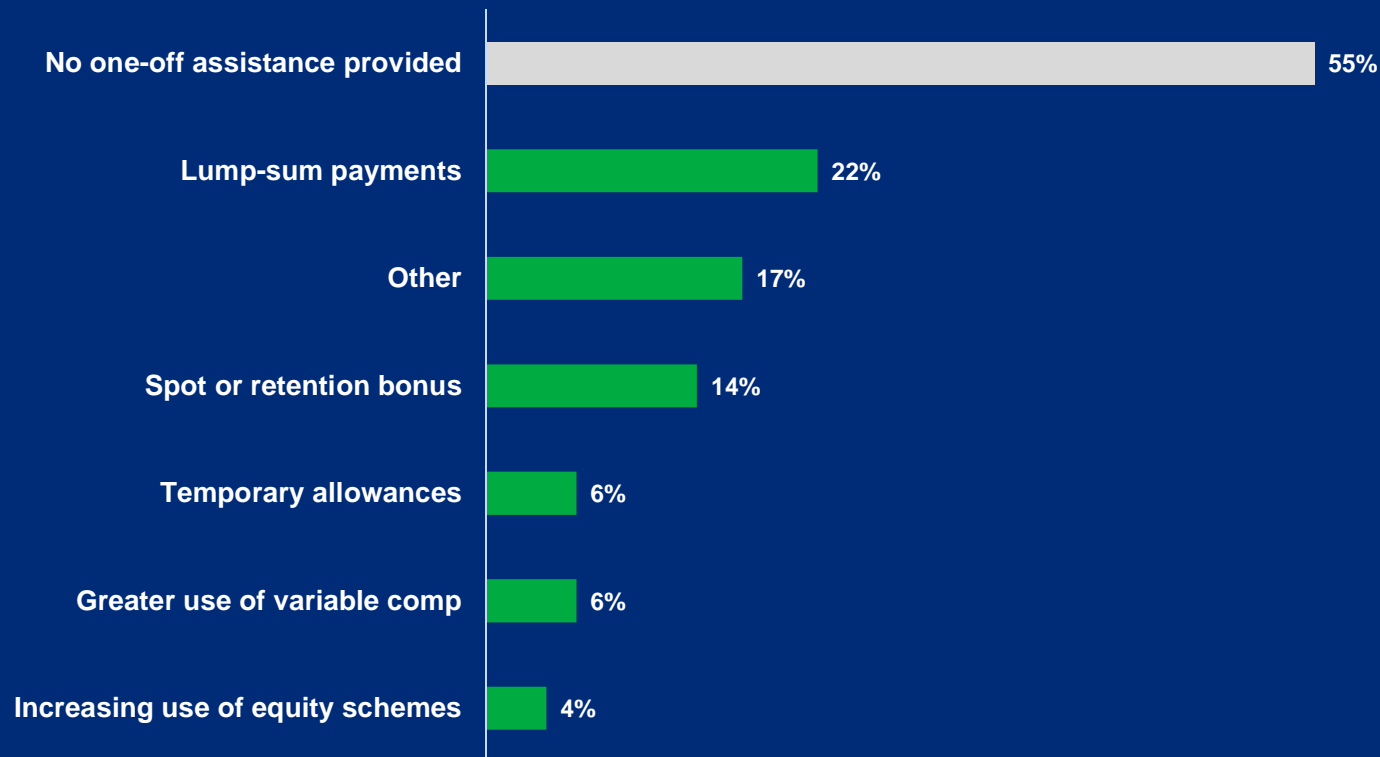


REWARD TRENDS



Company Interventions: One-off Assistance (Europe & UK)

TAAP - Real-Time Insights Pulse: September 2022



In the UK, we have seen the following company interventions:

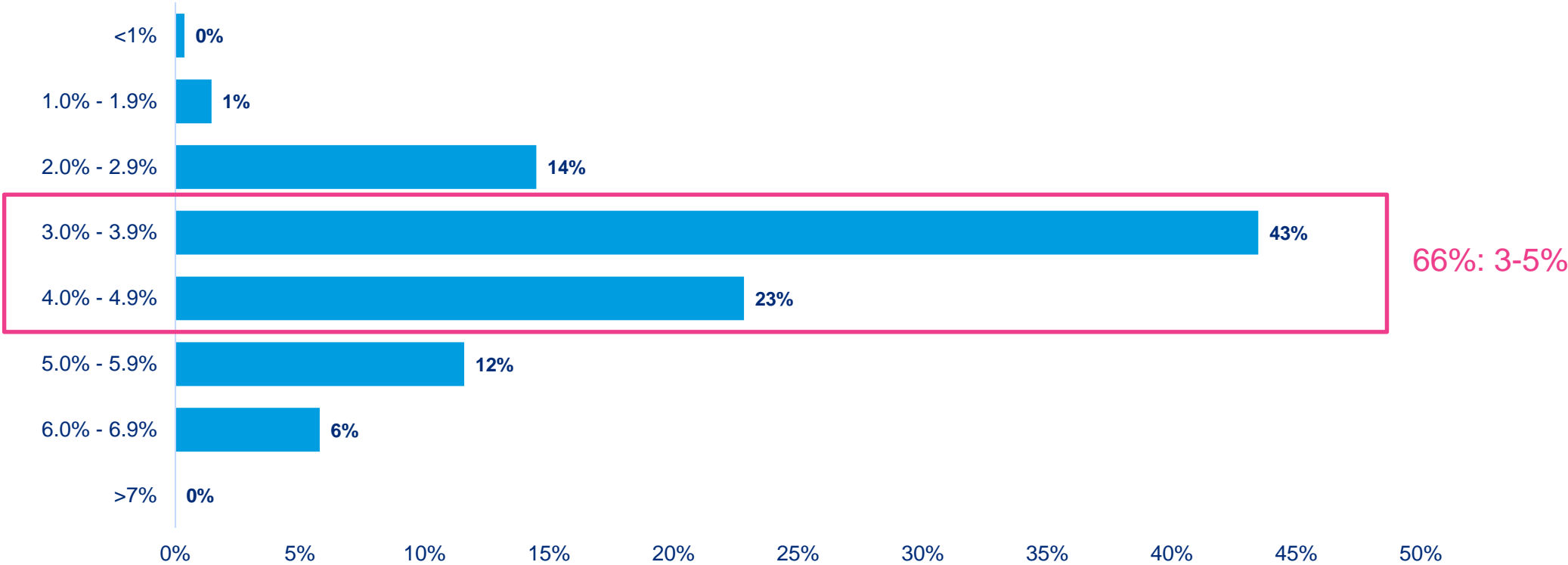
- One-off allowances paid in lump sums
- Temporary monthly allowances to assist with the cost of living
- Financial wellbeing support
- Discounted / free food at work
- Additional fuel allowance
- Enhanced communications of current benefits, EAP etc.
- Interest free loans



407 participants

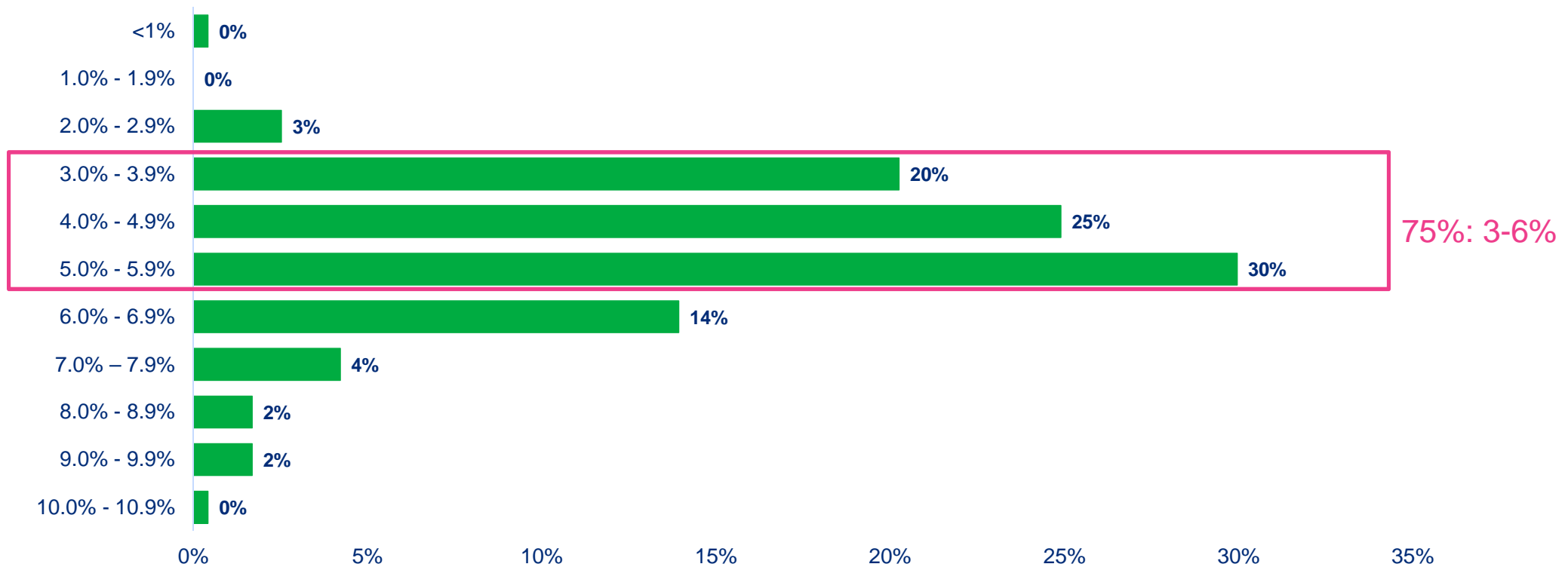
Spot Poll: 2022 Salary Budget

What was your final budget for the year including any off-cycle increases?



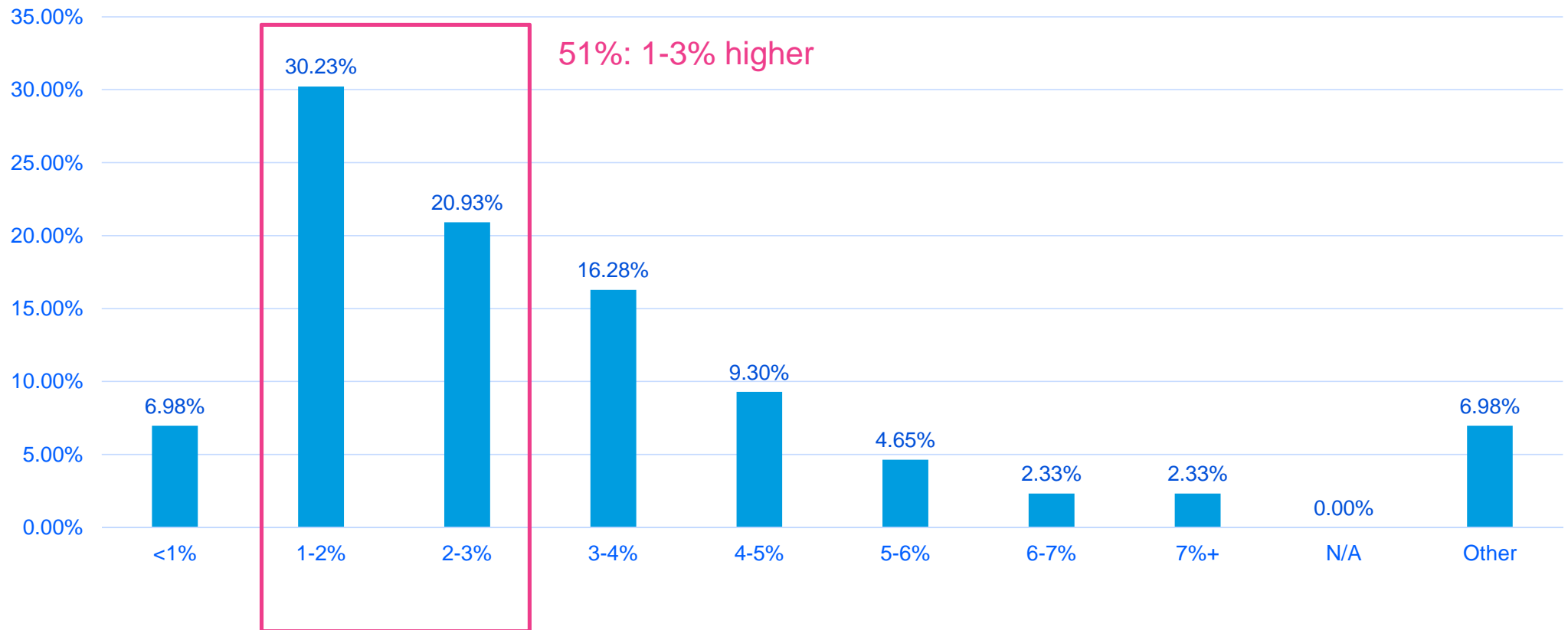
Spot Poll: 2023 Salary Budget

What is your salary increase budget for 2023?



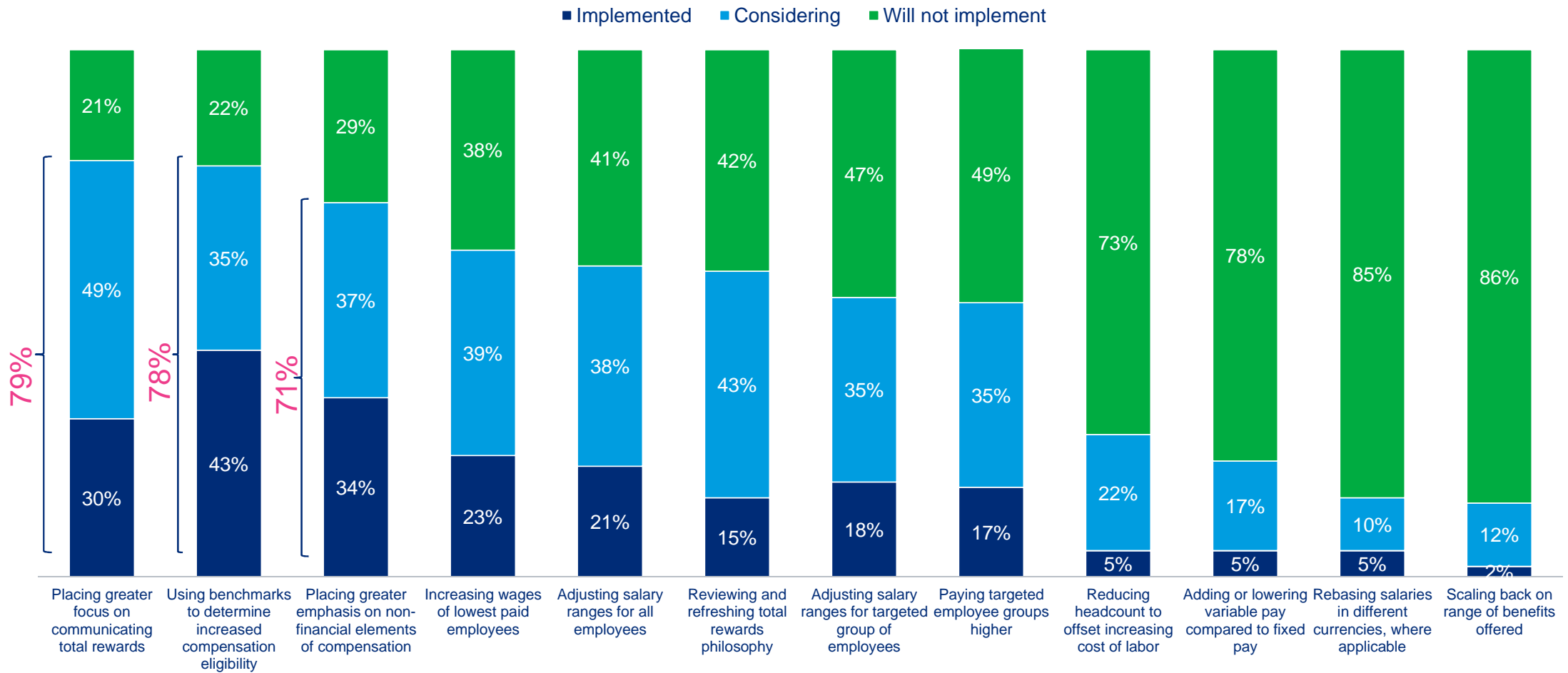
Real-time Insight Pulse: Inflation and impact on pay and rewards

Only for companies factoring inflation into their 2023 merit budgets, by how many percentage points are their 2023 merit budget higher than their 2022 budget?



Activities among participants, given heightened inflation

Global data



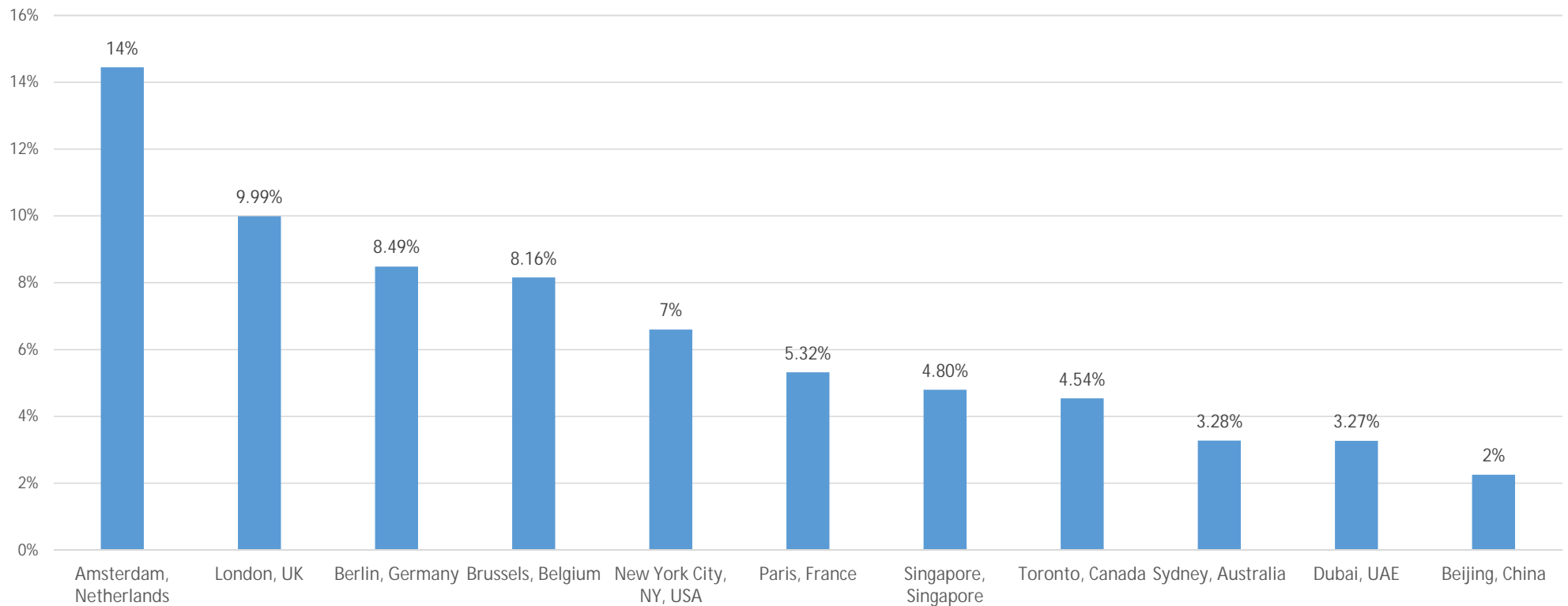
INTERNATIONAL INFLATION TRENDS

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Evolution Of Cost Of Living Price Movements

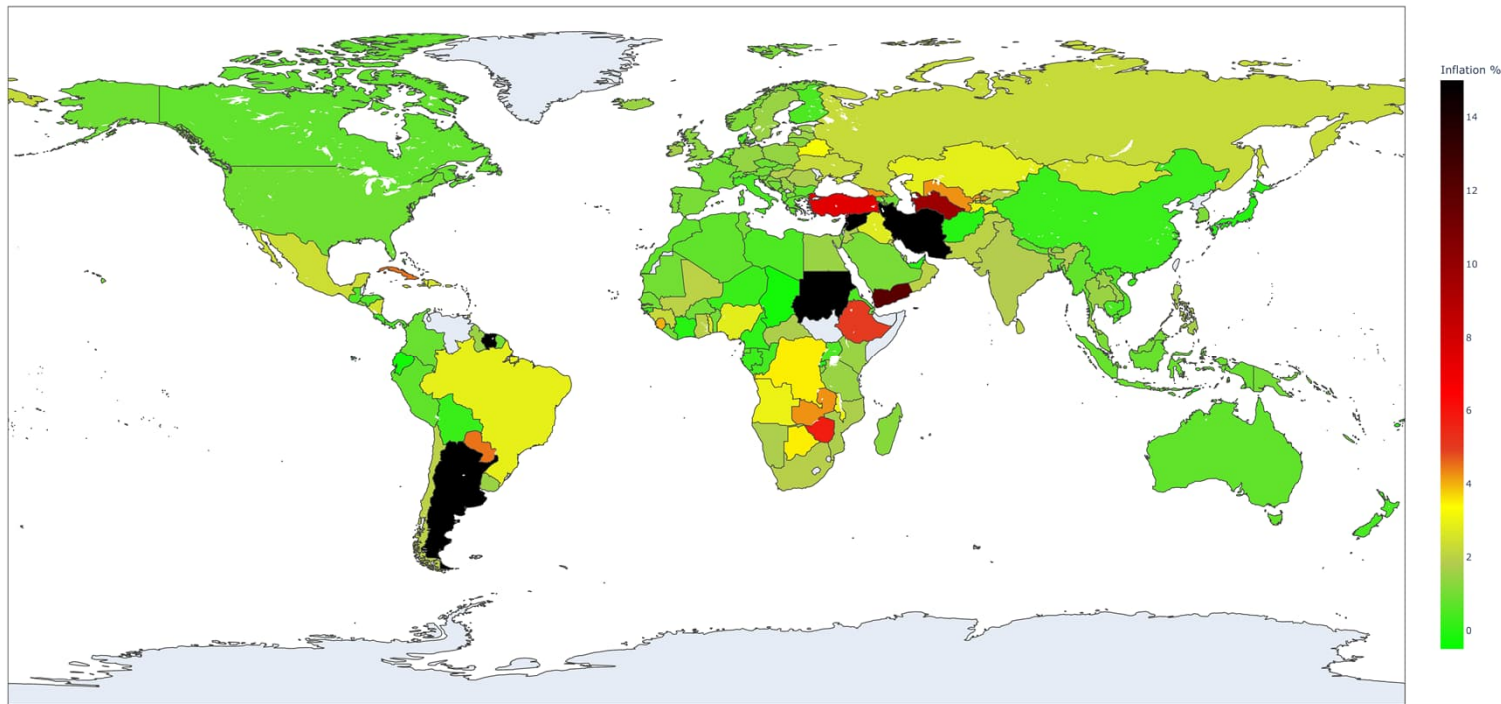
Price Changes In Select World Markets

September 2021 to September 2022; Mercer Updated International Basket



Evolution of Price Movements

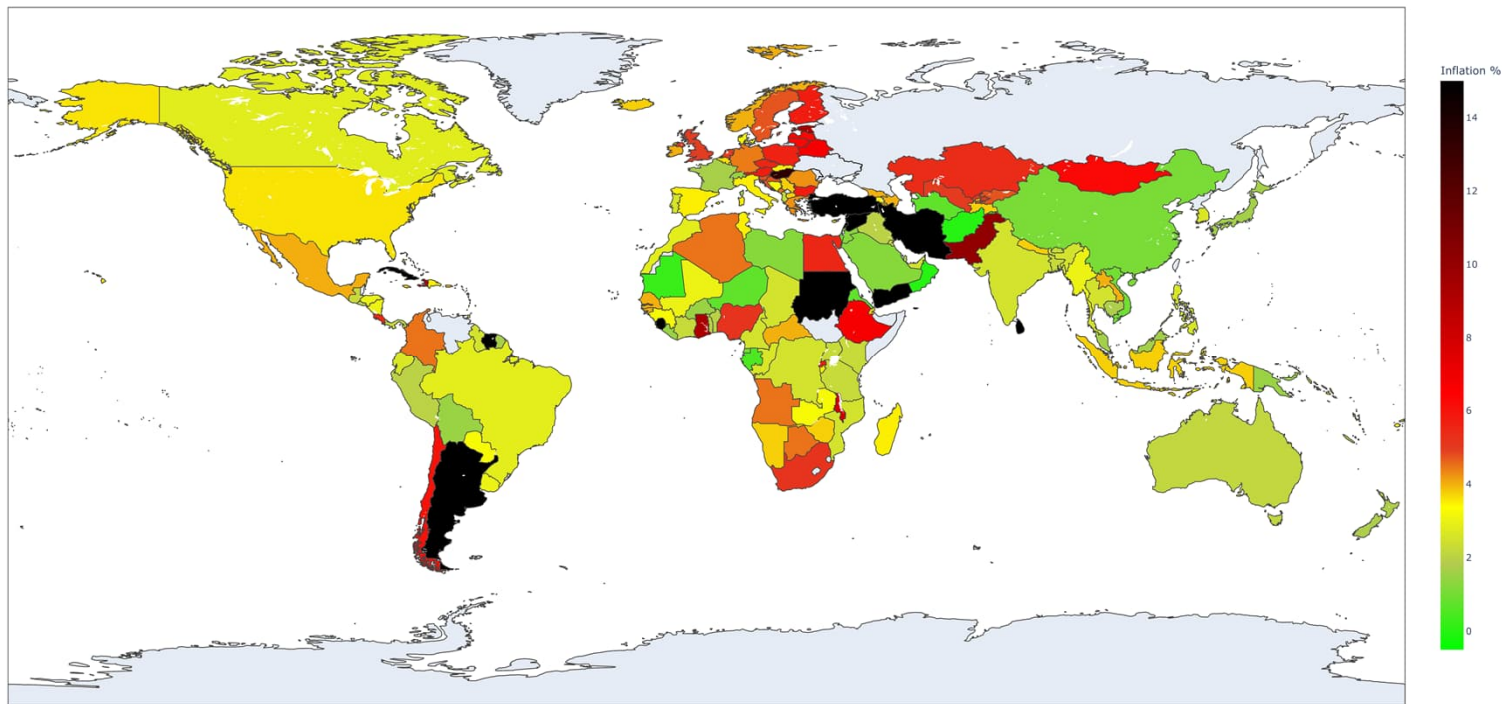
Between March and September 2021



6 month price movement averaged per country based on Mercer's Cost-of-living International basket

Evolution of Price Movements

Between March and September 2022



6 month price movement averaged per country based on Mercer's Cost-of-living International basket

Changes In Housing Data – Regional Trends

Northern America

Increasing trend:

- Los Angeles, CA, USA (5.5%)
- Portland, OR, USA (4.5%)
- Salt Lake City, UT, USA (4%)

Latin America and the Caribbean

Increasing trend:

- Cordoba, Argentina (35%)
- San Juan, Puerto Rico (16.5%)
- Sao Paulo, Brazil (16.5%)
- George Town, Cayman Islands (13%)
- Rio De Janeiro, Brazil (8.5%)

Decreasing trend:

- Ciudad Del Carmen, Mexico (-4.5%)
- Monterrey, Mexico (-4%)

Europe

Increasing trend:

- Ankara, Turkiye (16%)
- Istanbul, Turkiye (10%)
- Warsaw, Poland (7.5%)
- Limassol, Cyprus (6.5%)
- Amsterdam, Netherlands (4.5%)
- Tallinn, Estonia (4.5%)
- Bern, Switzerland (4.5%)

Decreasing trend:

- Minsk, Belarus(-10%)
- Belgrade, Serbia (-3%)

Africa

Increasing trend:

- Kigali, Rwanda(16.5%)
- Djibouti, Djibouti (9.5%)
- Banjul, Gambia (9.5%)
- Port Louis, Mauritius (4%)

Decreasing trend:

- Maputo, Mozambique (-4%)
- Accra, Ghana (-4%)
- Blantyre, Malawi (-3%)

Asia

Increasing trend:

- Singapore, Singapore (19%)
- Dubai, United Arab Emirates (14%)
- Mumbai, India (9%)
- Manila, Philippines (9%)
- Doha, Qatar (7.5%)
- New Delhi, India (6.5%)
- Islamabad, Pakistan (6%)
- Shanghai, China (5%)

Decreasing trend:

- Xian, China (-9.5%)
- Chengdu, China(-7.5%)
- Wuhan, China(-7%)
- Shenzhen, China(-5.5%)
- Guangzhou, China(-5.5%)
- Tianjin, China(-5%)

Oceania

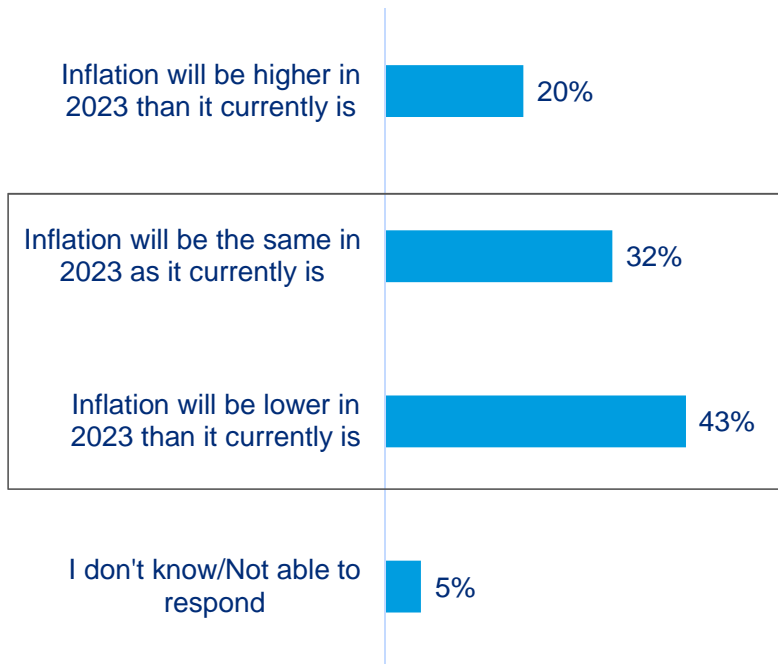
Increasing trend:

- Brisbane, Australia(5%)
- Melbourne , Australia (4.5%)
- Sydney, Australia (2.5%)
- Adelaide, Australia (2.5%)



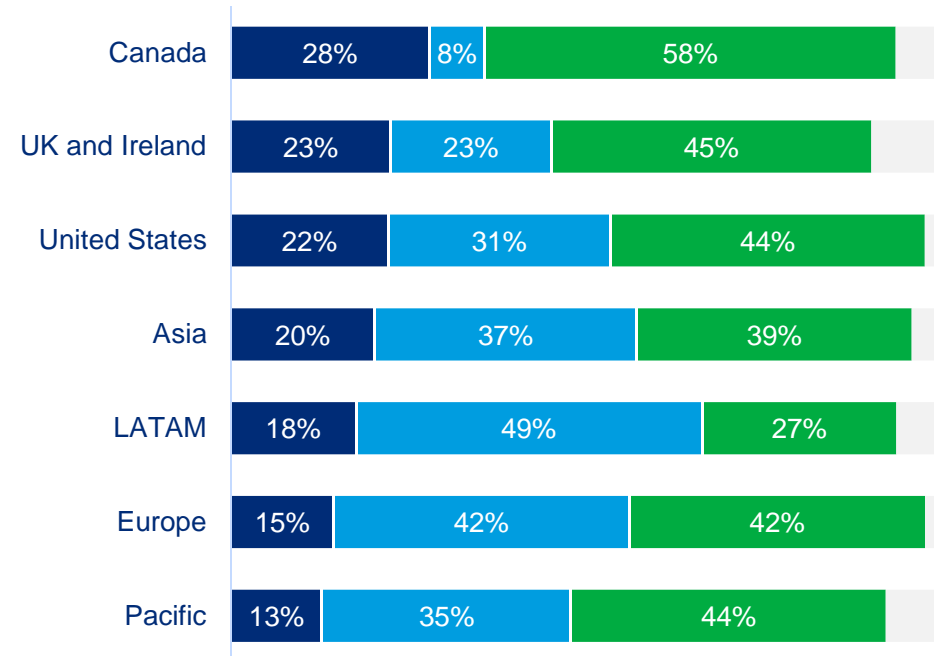
Most CEOs/CFOs anticipate inflation levels will be the same or lower in 2023. Notably, respondents in Canada, the UK/Ireland and the US are the most optimistic that inflation will decrease in the coming year.

Inflation Outlook



Inflation Outlook

■ Higher ■ Similar ■ Lower





Both CFOs and CEOs consider inflation a higher risk to their organisations than a recession

49%

most concerned
about the impact of
inflation versus a
recession on their
business

35%

most concerned
about the impact of
a **recession** versus
inflation on their
business

15%

most concerned
about the **cost and
availability of
labour** over a
recession or
inflationary
challenges

Observations:

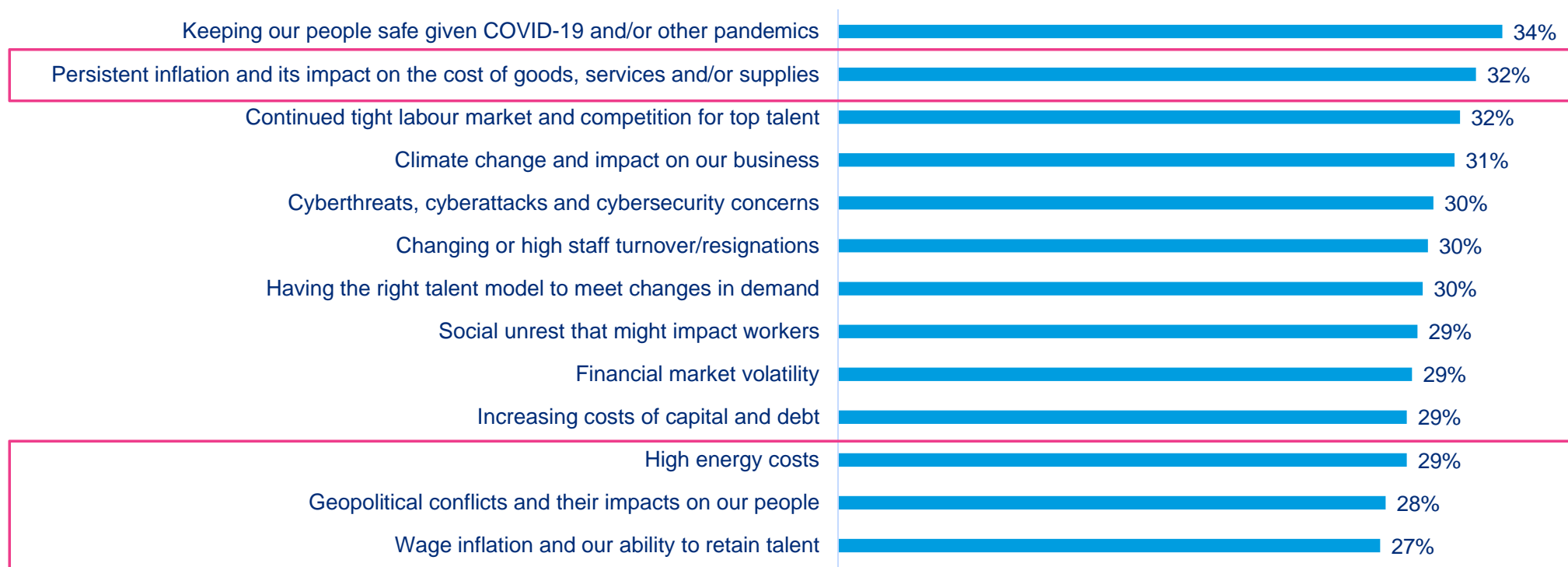
CFOs and CEOs in the United Kingdom are the most concerned about the impact of **inflation** (66%).

CFOs and CEOs in Canada and the United States are more likely to be concerned about the impact of a **recession** (44%).



Interestingly, leaders are less likely to consider high energy costs, wage inflation and their ability to retain talent, and geopolitical conflicts, in their 2023 planning discussions, compared with inflationary costs on goods, services and / or supplies

Drivers of business planning discussions in 2023



LIVING WAGE

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What does Living Wage mean to you?

In practice, multiple interpretations of Living Wage can be summarised as descriptive of three different 'comfort' levels, although descriptions for each of these levels may vary significantly across countries:

Basic Living Wage

- The full-time wage to support the purchase of essential goods and services, at well researched and discount prices, to allow for a healthy and functional standard of living
- It meets the practical needs of the employees in utilitarian (basic) surroundings

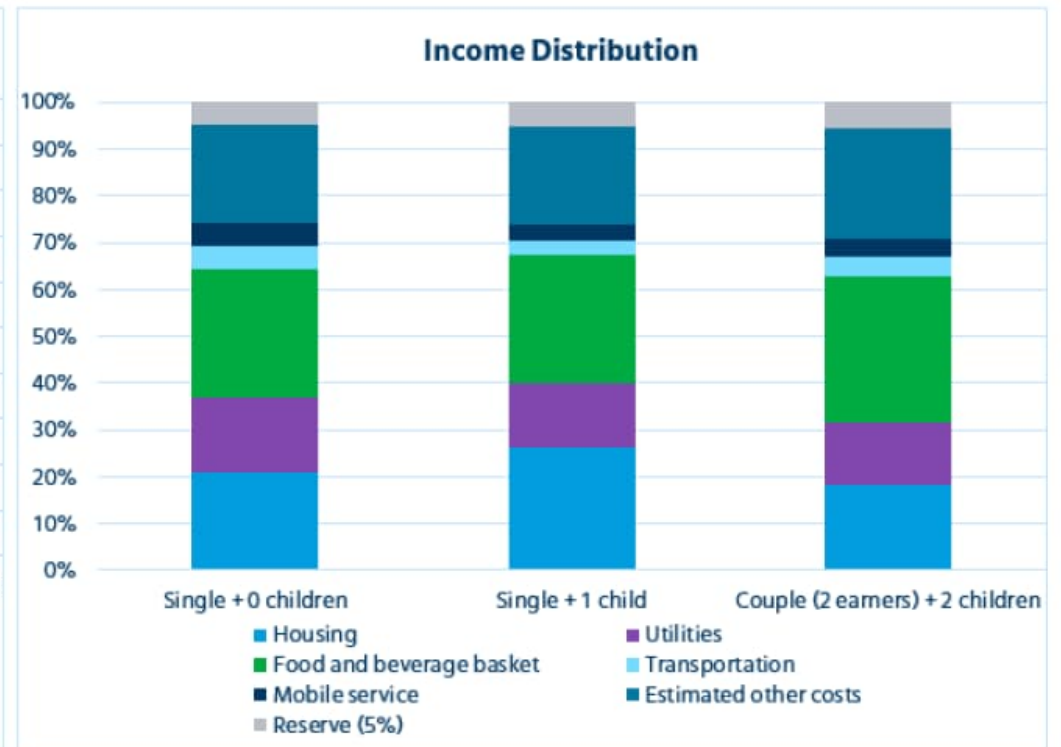
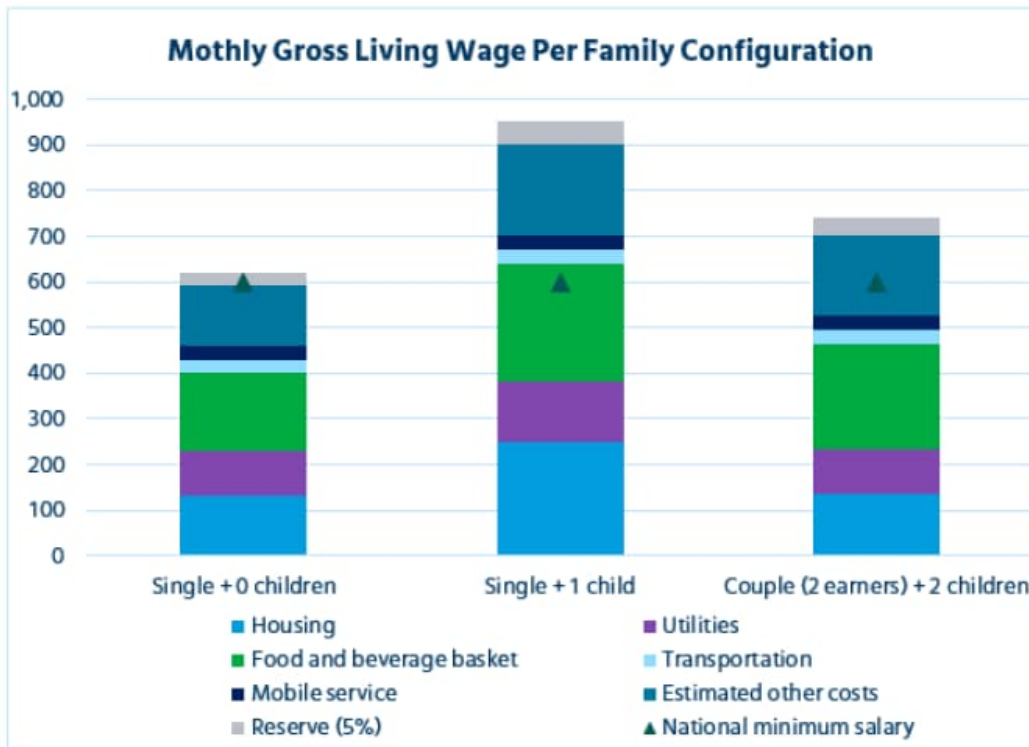
Decent Living Wage

- The full-time wage to support the purchase of necessary goods and services, predominantly using planned (and some convenience) buying, to provide a healthy and comfortable standard of living
- It meets the needs of employees in modest surroundings.

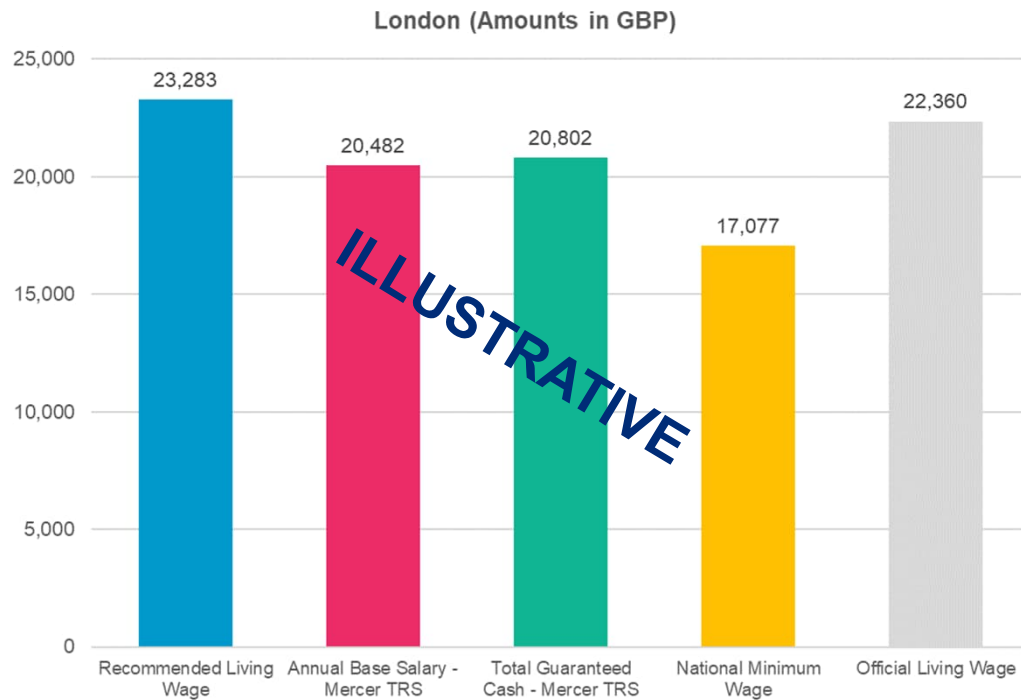
Good Living Wage

- The full-time wage to support the purchase of appropriate goods and services at reasonable prices (including some convenience buying) to support a healthy and comfortable standard of living, including access to inexpensive occasional pleasures (such as leisure and social activities)
- It meets the needs of employees in a comfortable but in extravagant lifestyle

Who is your Living Wage intended to support?



How does a Living Wage compare to other relevant benchmark points of reference?



	London
Food and Beverage Basket	39.88
Public Transportation	31.11
Housing	113.54
Utilities	12.31
Mobile service cost	6.00
Medical	0.87
Sum of estimated weekly costs	203.70
Weekly cost as % of net income	54.7%
Total estimated weekly costs	372.47
Total estimated annual net income	19,368
Estimated annual tax	2,157
Estimated annual social security	1,758
TOTAL GROSS SALARY	23,283



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