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UNLOCKED

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KEY CHANNEL PARTNER OF THE MONTH

Business Solutions

PAYROLL

Tariffs, Economic Pressures Causing Unease About Compensation

As employers contend with various cost pressures in light of a shifting economic landscape, company leaders have a new concern: high employee fears over how that shifting landscape will impact compensation. More than half of companies (56%) across the U.S. and Canada said their workforces are concerned about base pay increases in light of recent changes to economic policies and the implementation of President Donald Trump's tariffs, according to a pulse survey of 218 respondents conducted in April by consulting firm WTW. Indeed, roughly a quarter of organizations (23%) are expecting tariffs and ongoing economic volatility to result in reduced pay increases for the remainder of the year, WTW's survey found. Most, however, said the tariffs shouldn't influence compensation this year: 48% of companies reported there would be no impact to this year's projected salary increases, but said next year's budget may be impacted. Another 28% reported no impact at all. It's not surprising that employees are expressing concern over compensation. Slowing pay raises, more awareness about pay, and soaring financial stress have driven employee dissatisfaction. Overall, employee optimism is near a record low, according to an April SHRM pulse survey of 1,067 U.S.-based workers and 2,060 HR professionals, driven by economic and political concerns.

Following recent political events, including the executive actions taken by Trump to dismantle the Department of Education, the Federal Reserve's decision to keep interest rates steady amid inflation concerns, and the recent stock market decline, only 47% of U.S. workers expressed some degree of optimism about the future of the U.S. This represents the second-lowest level of optimism since SHRM started tracking the figure in June 2024. The highest level was 65% in November 2024. Meanwhile, SHRM found that 49% of U.S. workers said the current state of the economy had a negative impact on their mental health, while only 17% said the state of the economy had a positive impact on their mental health. More than 1 in 3 (36%) said the state of the economy had a negative impact on their sense of job security. Overall, there are many unknowns and concerns about the impact of the tariffs, said Justin Ladner, senior labor economist at SHRM.

Communicating with Employees About Pay

Although compensation worries are high, most employers say this year's projected salary increases will not be impacted by the tariffs. The disconnect — that employees are worried, but employers aren't yet making drastic changes to compensation because of tariffs — underscores a need for communication, said Lori Wisper, managing director, work and rewards, at WTW. Indeed, most employers already have their compensation spend set for the year. Other factors —including a cooling labor market and stabilizing inflation — have driven employers to pump the brakes on the competitive pay increases that were the norm over the past couple of years. A report by Seattle-based compensation firm Payscale in March found that on average, organizations are reducing pay increases by 0.3 percentage points — planning for 3.5% pay raises in 2025, compared to the 3.8% given in 2024.

shrm.org

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HUMAN RESOURCES

Over half of hiring managers say recent grads are unprepared for the workforce

Employers' top complaints included excessive phone usage, a lack of professionalism and poor time management skills.

Most hiring managers feel skeptical about the capabilities and professionalism of young workers joining the workforce, with 1 in 6 saying they're reluctant to hire the cohort, according to a May 6 report from Resume.org.

More than half of hiring managers said recent graduates were unprepared for the workforce and difficult to manage, while 78% said recent graduates spend too much time on their phones.

"Colleges don't teach students how to behave in the workplace, and there is a lack of transitional support from both universities and employers," Irina Pichura, Resume.org's career coach, said in a statement. "Most students graduate with little exposure to professional environments, so when they arrive at their first job, they're often learning basic workplace norms for the first time."

In a survey of 1,000 hiring managers, 8 in 10 said a recent college graduate didn't work out at their company during the past year, 7 in 10 said they put recent hires on performance improvement plans, and 65% said they had to fire a recent graduate. Only 58% said they'd consider hiring from the graduating class of 2025.

Among the companies where recent graduates didn't work out, nearly half of hiring managers said the top issue was a lack of motivation or initiative. In addition, they noted a lack of professionalism (39%), excessive phone use (39%), poor time management (38%) and an attitude of indifference (37%). Others also pointed to poor communication skills, difficulty handling feedback and an inability to adapt to company culture.

In day-to-day experiences, 87% of managers said recent graduates are often or sometimes on their phones during work hours. Beyond that, 72% said these employees often or sometimes struggle to manage their workload, and 60% said recent graduates turn in assignments late.

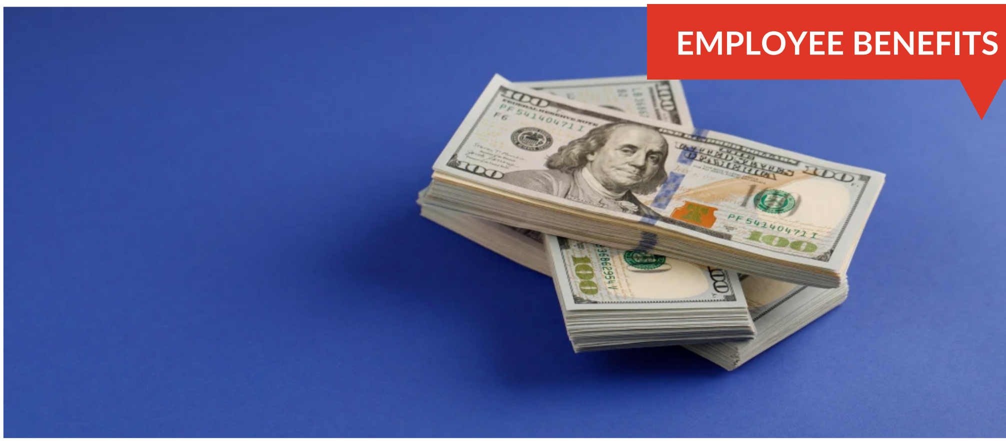
In terms of skills and qualities that would boost the likelihood of hiring these candidates, managers most often asked for initiative, a positive attitude, a strong work ethic, adaptability, openness to feedback, punctuality and strong interpersonal skills. In contrast, few managers said factors like avoiding political talk or having a polished social media presence would influence their decision.

Generation Z workers appear to be stressing out managers, with 1 in 4 saying they'd avoid hiring them if they could and nearly 1 in 5 thinking about quitting due to the stress, according to a report from Intelligent.com. In response, managers are altering their management style to accommodate younger workers that require more time and resources.

Managers can help struggling Gen Z employees fit into the workplace, HR experts told HR Dive. A structured onboarding process can help Gen Z workers understand their jobs and expectations, and foster a sense of belonging can build purpose, job satisfaction and well-being, the experts said.

www.hrdive.com

EMPLOYEE BENEFITS



How to Tailor Your Financial Wellness Benefits to Meet Generational Needs

To address persistent financial uncertainty across the workforce, benefit managers need to have a proactive and flexible approach, tailoring their benefits and communication for each generation employed today. According to HSA Bank's annual Health and Wealth Index, money causes a greater toll on mental health for Gen Z and millennials than for Gen X and baby boomers. Gen Z and millennials both experience significant financial stress, with 45% of both generations reporting that money negatively impacts their mental health. Additionally, 54% would consider switching jobs for better benefits, according to the report.

Gen X and baby boomers, however, are less likely to be impacted by financial stress and money-related concerns. Just 17% of baby boomers report negative mental health effects from their financial issues, according to HSA Bank. Those diverging trends impact benefits engagement and confidence across these cohorts, too. While younger generations are more financially proactive, they feel higher levels of stress and uncertainty around their financial wellness benefits and long-term planning strategies than older workers.

Millennials feel the most strongly about improving their financial well-being, as 69% would like to save more and 50% would like to invest. Though they want employer support, they don't feel confident seeking it out. Meanwhile, Gen Z workers are the most likely to actually make proactive changes to their financial habits: 84% have taken steps to pay off their debt, add to an emergency fund or invest, compared to 74% of the total workforce population surveyed.

Financial wellness benefits to combat health and retirement uncertainty Employee benefits that center around financial preparedness, education, mental health, and overall well-being are highly valued by all generations in the workforce, though gaps exist, especially around emergency savings support. Just one in four employees are setting aside money for unexpected expenses, though 27% say their employer could help by offering a dedicated emergency savings account.

Financial education and planning resources are also in high demand. Many employees, particularly Gen Z and millennials, feel unprepared for retirement and uncertain about managing future medical costs. More than a quarter of employees rely on external resources to navigate their healthcare options, rather than employer-provided resources, and younger workers report higher stress during benefits enrollment. This points to a strong need for employers to provide clearer guidance, planning tools, and communication around benefit offerings.

It's critical for benefit managers to build competitive, flexible benefit packages, or risk losing talent elsewhere. Forty-two percent of employees say they would consider changing jobs for better benefits, with that number rising to 54% among Gen Z and 49% among millennials.

This reflects a broader trend in the workplace today: Younger employees are not only more financially proactive, but also more likely to seek employers who align with their long-term financial and personal wellness goals. Employers who adapt to these evolving needs can boost retention, engagement, and overall employee satisfaction.

"Employees are seeking employers who can help them save for emergencies and support their personal and financial well-being," Kevin Robertson, chief revenue officer at HSA Bank, said in the release. "In addition to helping create a bigger nest egg for the future, these actions have clear business benefits including stronger connections, reduced turnover and higher productivity."

www.benefitnews.com

WORKERS' COMP

The Only Thing That Will Change is Your Bottom Line

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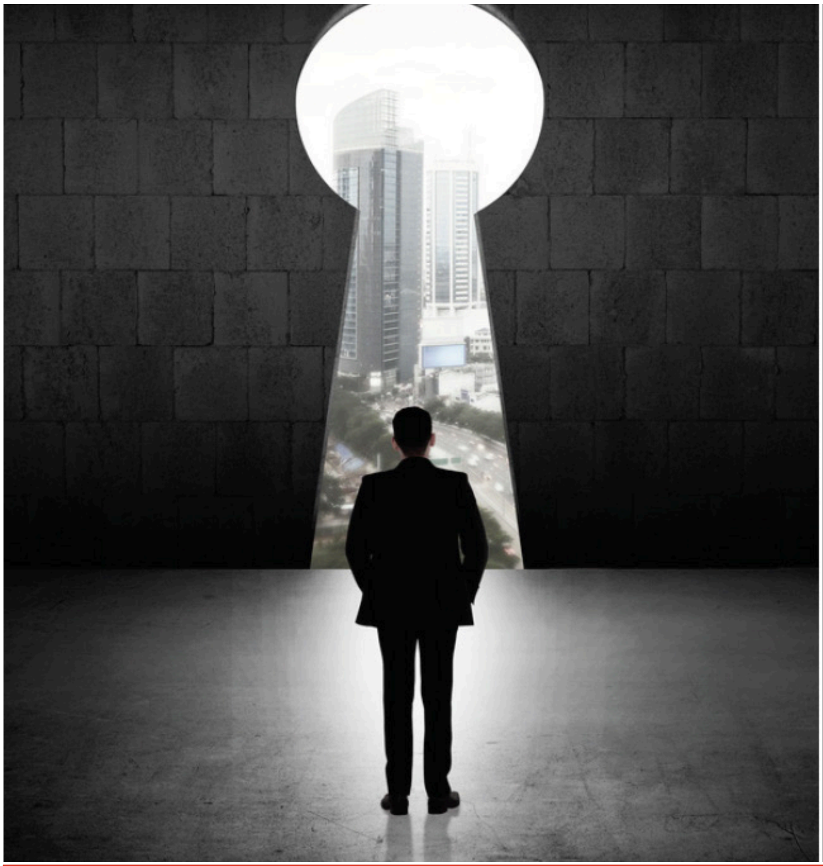

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Want to learn more about what Key HR can do for your business?

Contact us today!

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In observance of Memorial Day, Key HR will be closed on Monday, May 26th, 2024

Normal business operations will resume on Tuesday, May 27th, 2024. This decision allows all our employees to celebrate the holiday with their loved ones and take this time for reflection and relaxation.

All paychecks normally dated for **Monday May 26th,** will be dated **Friday May 23rd, or Tuesday May 27th.**

There will be NO deliveries on Monday May 26th, 2024.

Please submit your payroll no later than **11:00 a.m. on the appropriate day.**