

Cost of business crisis: Why now's the time to rethink expense management



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How the cost of living crisis has upended employee expenses

Expense management has always been tricky. From an employee's perspective, expenses can feel frustrating and disempowering. After all, you jump through hoops and wait weeks to get your own money back for payments made on the business's behalf.

If the process is too convoluted, the frustration risks boiling over into disgruntlement, undermining productivity, and, in some cases, even being used to justify exaggerated or fraudulent expense claims¹.

A NECESSARY EVIL

Of course, the flipside is that expense management processes exist for a reason, and that reason isn't to make staff's lives needlessly difficult.

Rather, it's because, as the team in charge of an organisation's financial health, finance teams have a responsibility to make sure every penny counts, and to keep accurate records in case HMRC comes knocking. This entails having checks and balances in place to monitor spending and reduce the risk of abuse.

The cost of living crisis has taken the tension between these two competing interests to a new level.

In the 12 months **between November 2021 and November 2022, inflation went up by 9.3%², mainly due to utility bills** – which have more than tripled³ – rents and mortgages, and groceries.



1 [Start.soldo.com/expense-fraud](https://start.soldo.com/expense-fraud)

2 [Consumerpriceinflation/november2022](https://consumerpriceinflation/november2022)

3 [Cost-of-uk-s-winter-triples-as-energy-price-cap-lifted-to-record](https://www.bbc.com/news/health-62888888)

RISING COSTS

These rising costs have squeezed household budgets to the point where six in ten adults⁴ – including people whose incomes would've previously classed them as "comfortable" – report struggling to keep up.

Of course, the cost of living crisis has had a huge impact on businesses too. With the prospect of increasingly unaffordable bills⁵ on the horizon, many organisations are understandably tightening their budgets and putting stricter spending controls in place.

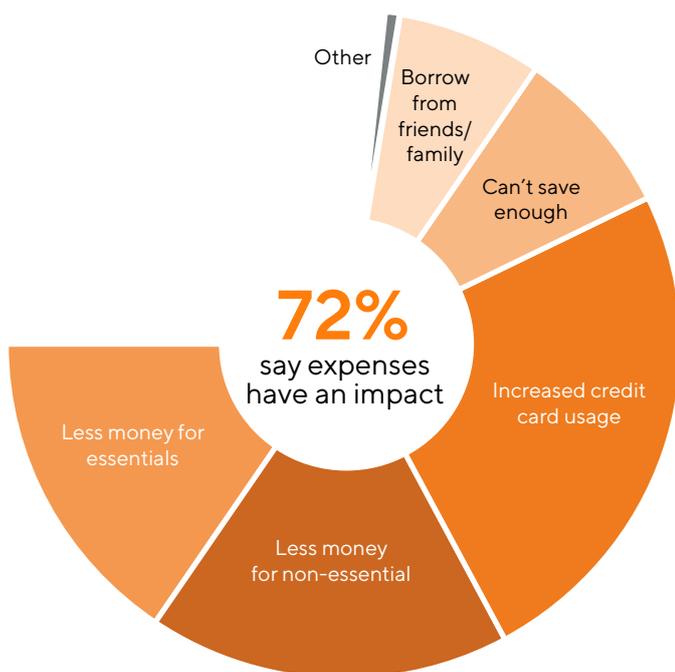
The bottom line is that, if expense management processes were already a significant source of friction between employers and employees, this economic backdrop is making them even more unpopular.

WHY EMPLOYEES ARE DISSATISFIED

The results of our survey, which we carried out in conjunction with Ipsos, show that:

1. Employees are dissatisfied with their organisation's expense management processes.
2. Having to use their personal funds, the excessive bureaucracy required to get their money back, and long reimbursement times mean many employees are running into cash flow issues and suffering financial hardship and mental stress as a result.

Impact of work expenses on personal finances



✓ In this report

We'll set out in detail these findings on inflation's impact on the expense management process. We'll then explain why current reimbursement practices are no longer fit for purpose, and what you can do as an employer to make the process more user-friendly while still staying in control.

⁴ [Cost-of-living-six-in-ten-adults-struggling-to-keep-up-with-their-bills](#)

⁵ [Sleepless-nights-business-owners-energy-bills-quadruple](#)

A note on methodology

Ipsos conducted this survey on Soldo's behalf in December 2022.

Interviews were conducted online using computer-assisted web interviewing. In total, we interviewed 400 subjects across the UK. Our sample comprised UK residents employed in companies with 50+ employees, who use their own funds for work expenses at least once a month.

OUR SUBJECTS WORKED IN THE FOLLOWING INDUSTRIES:

1% 
Care

8% 
Professional services

9% 
Construction

5% 
Retail

1% 
Digital media

3% 
Software services

13% 
Education

15% 
Technology

7% 
Financial services

5% 
Transport/logistics

7% 
Healthcare

1% 
Travel

3% 
Hospitality

1% 
TV/film production

8% 
Manufacturing

10% 
Other

3% 
Not-for-profit/charity

THE COMPANIES WERE ALSO SPLIT INTO SAMPLES:

10% employed
51 to 100 staff 100%

13% employed
101 to 200 staff 100%

24% employed
201 to 500 staff 100%

17% employed
501 to 1,000 staff 100%

36% employed
1,000 staff or more 100%

The vast majority of our respondents

84% were employed full-time at the time they were interviewed

14% were employed part-time

2% were self-employed

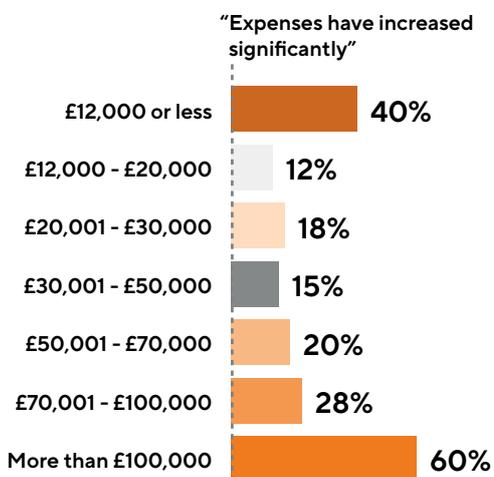
The rising cost of doing business

Just as with household bills, inflation has increased work-related out-of-pocket expenses exponentially, and most employees are feeling the pinch.

58% told us their spending in November 2022 was higher than it was in November 2021.

But what's most striking is that costs have risen to such an extent that they're causing concern even among respondents on higher salaries.

If anything, those earning £70,000 and over – the highest income bracket in our sample – felt the increases most, with 46% reporting their out-of-pocket expenses "increased significantly" compared to 25% overall.



Most respondents – 67% of our sample – told us they pay for work-related expenses with their own money at least once a week. For more than a third – 36% – this added up to £100 or over in November 2022.

WHAT ARE EMPLOYEES' BIGGEST OUT-OF-POCKET EXPENSES?

Business travel and entertainment made up the bulk of our respondents' out-of-pocket expenses.

The top three spending categories were:

-  The cost of food and drink while away on business **55%**
-  Fuel **45%**
-  Plane tickets, accommodation, and other travel-related expenses **36%**

Seeing as transport, food, and hospitality are three of the industries worst hit by inflation, this is to be expected.

Air fares and lodging, for instance, were 60% more expensive⁶ in 2022 than they were in 2021.

"Business travel was 20% more expensive in 2022 than it was before the Covid-19 pandemic."



THE WFH DILEMMA

There's also growing disagreement over who should shoulder the costs of working from home.

A significant chunk of our survey respondents take the view that home office equipment and a portion of their utility bills are work expenses. Home office equipment was the fourth most reported category of out-of-pocket spending, while energy and broadband bills were eighth on the list.

But when we asked respondents what their employers have done to tackle rising out-of-pocket expenses, the third most popular answer was that they'd encouraged working from home.

HIDDEN EXPENSES

In other words, employers seem to be overlooking the fact that any savings – from less commuting, fewer takeaway lunches, and fewer opportunities for impulse purchases – are offset by other expenses.

Interestingly, the costs aren't putting employees off working from home. That said, with energy bills projected to keep rising in 2023⁷, many employees might yet change their tune.

⁷ [Theguardian.com/business/2023/jan/01/uk-inflation-energy-bills-taxes-house-prices-happy-new-year](https://www.theguardian.com/business/2023/jan/01/uk-inflation-energy-bills-taxes-house-prices-happy-new-year)

Counting the cost: the impact of out-of-pocket expenses on staff's financial and mental well-being



of our survey respondents told us using their own money to pay for work-related expenses has negatively impacted their personal finances.

This stands to reason. According to the Office of Budget Responsibility, the current economic situation has made the average UK adult £1,000 a year worse off⁸. So the sharp increase in out-of-pocket expenses has been a financial double-whammy.

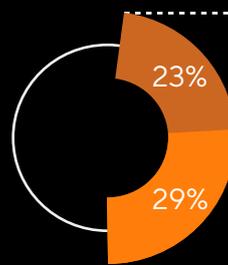
The situation has also taken a mental toll.



61% say they feel anxious about paying work expenses with their own money at least some of the time.

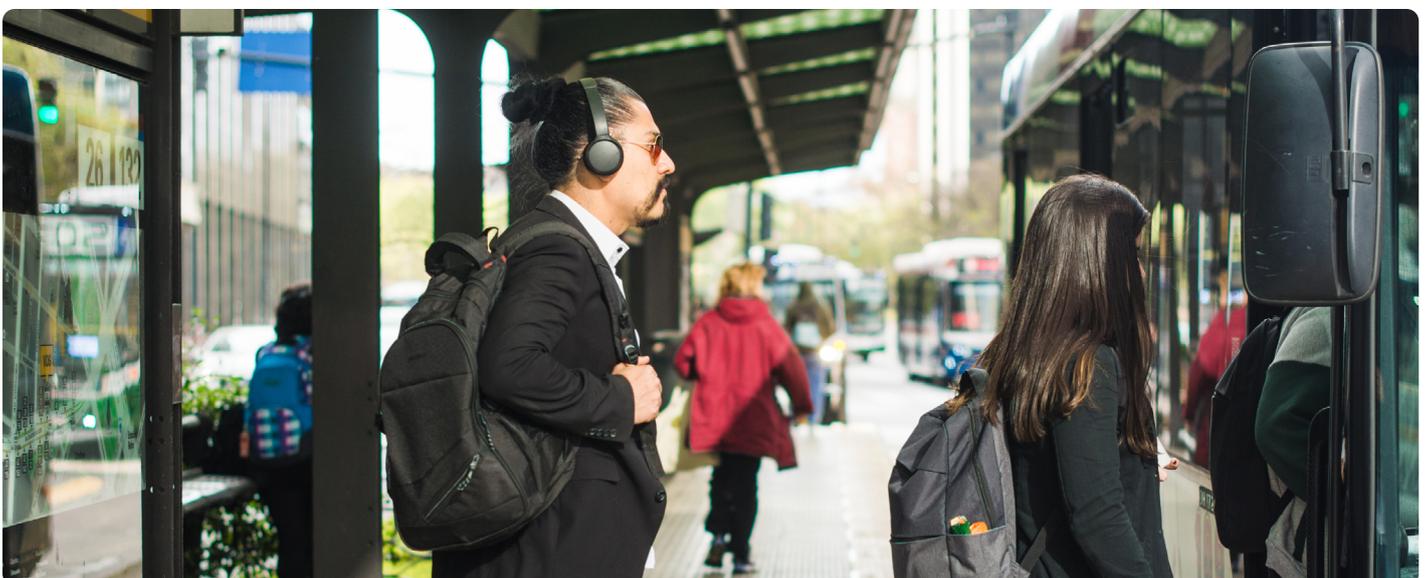
THE DEBT TRAP

With less discretionary income to play with, higher out-of-pocket expenses are forcing many employees to go into debt.



52% of survey respondents have had to use their credit cards at least once due to work expenses, and 14% have had to borrow from family and friends.

There are also knock-on effects outside of work. 28% have to rely on credit cards more often to keep up with personal expenses, 24% have less money for groceries and other essentials, and 17% are unable to save as much as they'd like.



8 [Theguardian.com/business/2022/nov/18/british-people-poorer-ifs-uk-autumn-statement](https://www.theguardian.com/business/2022/nov/18/british-people-poorer-ifs-uk-autumn-statement)

LESS MONEY FOR ESSENTIALS

Crucially, 27% report having less money for shopping, travel, going out, and other discretionary expenses. Which means work-related financial obligations are impacting their ability to engage in activities that make them happier and, so, more productive.

The proportion of respondents who suffer financial difficulties due to out-of-pocket expenses increases when you account for company size.

Similarly, employees who worked at companies with 251 to 500 employees were twice as likely to have less money for essentials than employees who worked at companies with 51 to 250 employees.

Given that larger companies typically have more complex expense reimbursement procedures, this suggests the ease and speed with which employees can get their money back has a significant impact on how well they can cope with the increased financial pressure.

THE UNSPOKEN COST OF HIGHER EXPENSES

Aside from very tangible financial consequences, expense reimbursement delays are also impacting employees' mental well-being. The most common negative feeling respondents associate with expense reimbursement is annoyance, followed by discomfort, anxiety, confusion, and upset.

Feelings of anxiety increase the more often staff have to fork out their own money to pay for expenses. 35% of those who pay out of pocket more than once a week say they feel anxious often or always, compared to 26% overall. And among respondents who incur work-related expenses daily, 46% feel anxious often or always.

THE WIDENING HORIZON OF STRUGGLE

While you'd think employees on lower salaries would be more likely to feel negatively about out-of-pocket expenses, our research suggests the opposite. The more our respondents earn, the likelier they are to have negative feelings.

39% of respondents earning £20,000 to £50,000 – the medium income bracket – feel very uncomfortable paying for business travel. And 43% of respondents earning £70,000 or above are always or often anxious about paying out of pocket.



Putting the numbers in context: what's causing expense anxiety?

So what are the most stressful parts of the reimbursement process, according to employees?

Survey respondents who told us they feel anxious about out-of-pocket expenses always, often, or sometimes all gave us the same three reasons for their anxiety:

1. **Issues with the process**, such as difficulty submitting receipts or determining whether their employer's expense policy allows a specific expense
2. **Payment delays and their potential impact on their other financial commitments**
3. **The volume of paperwork involved** when making a reimbursement claim

But, interestingly, they ranked these reasons differently, depending on how often they feel anxious about the process.

Respondents who are always or often anxious worry most about running into issues, followed by the amount of paperwork involved and payment delays.

Respondents who feel anxious only sometimes, on the other hand, worry most about payment delays, followed by running into issues and the amount of paperwork involved.

DELAYS AND TIME LOST

Overall, 62% of respondents think it takes "a lot of time" or "a significant amount of time" to get reimbursed.

Payment delays also seem to increase with company size. So much so, that the larger the company, the greater the dissatisfaction with the reimbursement processes.

But the clearest sign that current practice is no longer fit for purpose is that the number of expenses included in a claim and the amount to be reimbursed make delays more likely.

THE MORE YOU PAY, THE LONGER THE WAIT

In essence, the more an employee pays out of their own pocket, the greater the risk their claim will be delayed and, consequently, that they will suffer financial and mental hardship.

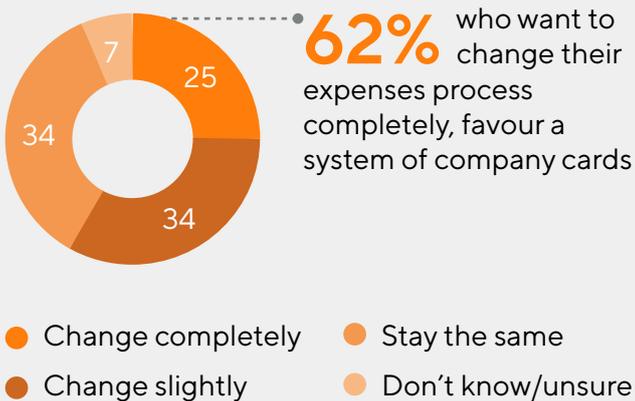
The perceived difficulty of the process also discourages employees from claiming everything they're entitled to.



- I often experience issues with the expenses process (e.g. hard to submit receipts, not being reimbursed on time, unclear policy, etc.)
- I'm struggling to keep track of all my work expenses (e.g. having to keep all receipts throughout the month and submitting them in one go, etc.)
- I'm worried I won't be reimbursed in a timely manner and it will affect my other commitments
- The process of submitting my expenses is too difficult
- I don't have sufficient funds to make expenses

What do employees want from the expense management process?

Employees are crystal clear about how the expense management process needs to change: they want less bureaucracy, more transparency, and more fairness. And a quarter of respondents think the best way to achieve these goals is to give the expense management process a radical overhaul.



Which would do away with paperwork, long waits and, most importantly, employees needing to use their own money for business expenses.

WAITING FOR MONTHS

As things stand, 46% of respondents told us they got their money back for October 2022 (the month prior to our survey) within two weeks of submitting a claim.

But 41% faced longer waits. 22% waited four weeks or more. This shot up to 31% for employees claiming six or more expenses.

Longer waits were more likely at larger companies. 16% of employees who worked at companies with over 1,000 staff said they wait more than four weeks to get paid, compared to 10% overall.

FAIRER, EASIER, BETTER

Aside from making life easier (and fairer) for employees, replacing reimbursement with a system of company cards also provides benefits to employers. Businesses would gain more visibility of spending – while simultaneously showing employees that they're trusted with company money.

Every individual employee would have their own card with a set spending limit, making it easier to effectively monitor individuals' spending and catch issues like inappropriate spending before it spirals out of control.

50% of respondents who want to see expense management radically overhauled would also automate receipt capture and submission.

THE PAPER NIGHTMARE

Collecting and storing paper receipts is a significant pain point. Digitalising and automating the process takes out the effort and eliminates the risk of them being damaged or misplaced. The employee can snap a picture, upload it to the system in seconds, and that's that.

45% suggested decreasing the number of approvals needed for low-value purchases. And 41% would make the process fairer by strengthening their company's expense policy and ensuring everyone can easily consult it when they need to.

SHOW ME THE MONEY

Among respondents who think expense management could be improved with slight tweaks, faster reimbursement is top of the list.

They also want the process to be more user-friendly, singling out obtaining approval (59%) and submitting expense reports (58%) as taking "a lot of time" or a "significant amount of time".

Employees, they believe, shouldn't have to deal with reams of paperwork every time they need to claim. And they should have access to the information they need to know whether their claim is likely to be approved, before they incur an expense.



Making employee expenses more user-friendly **benefits everyone**

Employees were unhappy with expense management processes long before the cost of living crisis came about.

As far back as 2015, 53% of participants in a survey⁹ said they'd rather do their taxes than compile an expense report. And, in a 2021 survey¹⁰, 28% said they wished they didn't have to fill out expense reports at all, while 33% described the process as "annoying".

EXPENSES: MORE IMPORTANT THAN EVER

The cost of living crisis has added another layer of difficulty to an already daunting process.

Aside from having to put in huge amounts of time and effort to get their money back, employees now also have to worry about their cash flow while they wait. As a result, it's no surprise that our respondents are so keen to streamline the process.

Needless to say, making expense management fairer and more user-friendly for employees benefits the business as a whole.

TRUST BINDS EVERYONE TOGETHER

When employers trust their employees to spend company money wisely, instead of forcing them to use their own funds and jump through hoops to get it back, employees feel valued and empowered.

And employees who have a positive relationship with their employer are more productive, more loyal, and more likely to go the extra mile¹¹.

¹² "Trust helps bind everyone together towards a shared vision of what the company could be."

Dynshaw Italia, Soldo CFO

But rethinking expense management also has operational benefits.

⁹ [Soldo.com/en-gb/blog/how-much-could-your-company-save-on-expenses/](https://soldo.com/en-gb/blog/how-much-could-your-company-save-on-expenses/)
¹⁰ [Palife.co.uk/in-depth/1-in-5-office-workers-hate-submitting-expenses-new-survey/](https://palife.co.uk/in-depth/1-in-5-office-workers-hate-submitting-expenses-new-survey/)

¹¹ [Primeast.com/us/insights/leading-change/the-importance-of-empowering-employees](https://primeast.com/us/insights/leading-change/the-importance-of-empowering-employees)

¹² [Podcast.soldo.com/episodes/soldo](https://podcast.soldo.com/episodes/soldo)

TIME IS MONEY

The current, heavily manual way many companies still manage out-of-pocket expenses is hugely inefficient.

It invariably becomes somebody's full-time job to confirm an expense is allowed, reconcile transactions, and update the system. And because expense claims can only be processed once employees submit them, it's impossible to have real-time visibility of company spending.

So, far from loosening spending controls, streamlining the process could help finance teams exercise better oversight at a time when it's more important than ever to make sure every penny counts.

EMPLOYERS KNOW IT'S GOT TO CHANGE

Our research suggests employers are acknowledging things need to change.

21% have recognised that the rising cost of living is making things challenging for both their businesses and their staff, and are encouraging conversations around it. And 19% are exploring a more comprehensive way of managing expenses.

What employers need to do, now, is find a way to turn these good intentions into action, and create an expense management process that serves both their companies' and employees' interests.

Instead of pitting them against each other.

Learn more about
how Soldo can help you
update your expense
management process
soldo.com

