



HR & Payroll Pulse 2026

A Reality Check for Europe

Measured Trust,
Managed Cost:
The New Reward
Reality

Introduction

Employee expectations are not what they used to be. Life is getting more expensive across Europe, among other political and socioeconomic stressors, and people expect more from their employers.

In general, people no longer judge reward structures on just whether pay is competitive. New markers for success are whether reward packages are fair and explainable, while also addressing real-world pressures for the people receiving those salaries and benefits. At the same time, organisations need to keep their costs under control and ensure rewards structures are affordable.

In practice, two powerful forces are converging.

On the one hand, it's becoming easier to measure trust. Pay transparency and equity expectations are rising, accelerated by the incoming EU Pay Transparency Directive. At the same time, reward leaders are being urged to practise more discipline around cost. They are expected more and more to model trade-offs and manage personnel costs without degrading fairness.

This report uses data from the 2026 HR & Payroll Pulse to show the state of reward structures and attitudes today, what employees expect and anticipate, and what practical steps organisations can take in the coming years.

About the research

The HR & Payroll Pulse Report is the largest annual research project on HR in Europe. As the flagship resource from SD Worx Research Institute, it provides evidence-based insights to help HR and payroll specialists enhance their day-to-day operations and long-term strategies. It also helps leaders and teams understand the field now and anticipate critical trends.

The 2026 report focuses on five key themes: HR challenges, payroll, time & planning, reward, and AI, plus how each trend affects organisations and their people.

Based on the research, SD Worx Research Institute is also releasing four specialised reports to give more detail into several of these topics. This report provides a unique and detailed perspective on changing reward expectations and what HR and payroll leaders should do to meet them.

2026 research scope

Scope: Belgium, Croatia, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Poland, Romania, Serbia, Slovenia, Spain, Sweden, and the United Kingdom.

Target groups: Decision-makers in HR management and employees, covering 5,936 HR leaders and 16,500 employees.

Data collection: Anonymous online survey conducted among the international panel of Bilendi Group and analysed by our SD Worx Research Institute experts.

Nearly 2 in 3 (62%) organisations say they have everything in place to comply with the EU Pay Transparency Directive, though 34% of employees are aware of what that means for their rights.

Key takeaways

01

Reward has become a “trust + cost” system.

Pay transparency expectations drive reward to be explainable, fair and affordable. Cost discipline is back while employees expect proof of fairness.

02

Transparency is becoming a talent lever. Around two-thirds (64%) of employees find pay transparency important or very important, raising the bar for consistent pay ranges.

03

Employers and employees feel similar affordability pressures. 73.4% of employers see rising pay expectations, while 35.9% of employees report financial stress.

04

People value financial security, recognition, clarity and personalisation more now. The most valued reward options include pension and retirement support, performance-based pay and pay transparency.

05

Employees want what many firms do not offer. For instance, 39.8% of employees want extra days off, while only 16.5% of employees actually receive this benefit from their company as part of the reward structure.

06

Many HR leaders believe that managers communicate confidently to employees about pay, but only one in three employees feel similarly confident.

Reward and the move towards transparency

In the coming years, HR leaders will likely be expected to design reward structures that are fair and transparent, while remaining affordable for their organisations.

Pay transparency and equity are no longer separate conversations across Europe. Transparency is a necessary foundation because it makes pay differences and opportunities visible. Inequities remain hidden and unchallenged otherwise. However, exposing disparities is not enough. Action makes all the difference. Otherwise, transparency can erode trust. True equity requires visibility plus fair structures, thoughtful explanations and corrective actions.

Presently, there is a disconnect between how organisations see their payment and reward structures and how employees experience them.

65%

of employers say they pay their employees fairly for the work they do.

This gap reflects the need to rebuild reward architectures so that pay decisions are consistent, justifiable and explainable. Companies should make roles more consistent and develop a shared understanding of what equal work actually means. Better foundations mean fewer ad-hoc negotiations and biases.

44%

of employees say their pay reflects the work they do.

Of course, the goal is not to expose salary information. Many people see transparency as disclosure alone. Trust will come more from increased clarity and better expectation management.

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“It’s important to also explain what [pay transparency] will not be. Many people still think they will be able to see colleagues’ salaries or their manager’s salary. That’s not the case. There is talk about ‘more transparency’, but rarely is it made concrete what it doesn’t include – and that creates false expectations.”



Virginie Verschooris
Reward & Data Content Manager at SD Worx

Trading transparency for equity

A common theme across a majority of this year's Pulse research is that workforces across Europe want more clarity from employers, but also action behind the insight. Employees expect more than acknowledgement and vague commitments from their workplaces. Decisions should be defensible and demonstrate continual action.

For one thing, pay transparency can translate to workforce retention now. Employees regard it as increasingly important, and see it as a factor in whether they stick around in a job or look for alternative employment.

The importance of pay transparency for employees



Around one in four employees (25.3%) deem pay transparency very important in their decision-making process to stay or find a new job, while only 10.2% see it as unimportant or very unimportant.

However you act on pay transparency, it is essential that you understand that more and more people are demanding at least a cursory understanding of where their reward structure comes from, and basing impactful decisions on this insight.

The persistent gender pay gap is another example of this discord between vision and implementation, and an illustration of how transparency should be a step towards concrete equity.

39%

of employers say that their organisations acknowledge having a gender pay gap, while

27%

of employees believe their organisations have a gender pay gap.

Gender pay gaps remain a pervasive issue in organisations worldwide, and Europe is no exception. What is striking is that more employers than employees cite a gender pay gap, signalling that employees may not have quite enough insight to make the most informed assessments.

It seems there is movement in the right direction, with half of organisations (54%) saying they are investing in better pay transparency—surfacing any inequities that can then be addressed—and 52% of employees saying they believe their organisations pay fairly across genders and roles. More than half of organisations reportedly review pay data to identify and fix gaps. Plus, 39% of employees believe their organisations are committed to closing these gaps.



“It doesn’t surprise me that organisations say they pay fairly. Companies always assume they pay correctly. But employees don’t experience it like that – and that gap is exactly where transparency becomes critical.”

Brecht Mangelschots
Reward Manager at SD Worx

What remains clear is that companies are drawn to equity but progress lags. Equity is not a value you can place on the wall. It is an operational reality and day-to-day discipline. Companies need to understand the root causes of pay inequities between roles, gender expressions, geographies and other factors. They should create monitoring processes and playbooks, also investing in preventative measures to stop gaps from reappearing.

The fact is that most pay gaps do not appear at random or after a single decision. Gaps arise from many disparate decisions along a chain, from starting pay, progression velocity, performance ratings, access to variable pay, allowances and benefit distribution.

The state of pay now

Topics like improving pay transparency and closing the gender pay gap have always received attention, and several factors now make these discussions even more crucial. There is considerable economic and political unrest, and everything is getting more expensive quicker than companies and economies can act.

How organisations are dealing with changing economic realities

52.6%

Geopolitical and economic instability has increased pressure on our compensation and reward policies

73.4%

Employee pay expectations have risen due to higher cost of living

49.5%

The organisation is dedicated to supporting their employees financially with rising costs of living

More than half (52.6%) of companies say economic and political pressures are impacting their policies. At the same time, organisations are seeing their people struggle more with living costs, which impacts pay expectations.

Around 1 in 2 (49.5%) are dedicated to supporting their employees financially with rising costs, but it remains to be seen how structural and scalable this will be in the short- and long-term.

How employees experience financial realities in 2026

35.5%

My pay adequately reflects the cost of living

35.9%

I am experiencing financial stress

33.8%

I feel comfortable discussing or asking for a pay increase

As companies reckon with rising labour costs and instabilities in their own value chains, a substantial share of employees have financial anxieties that in turn put pressure on their employers. While only 35.5% of employees feel their pay reflects the cost of living, a similar share (33.8%) feels comfortable asking for a pay increase. This is a tangible example of how pay inequities lead to behaviours.

Employee living costs meet personnel cost strategy

More than 1 in 3 (35.9%) of employees report feeling financial stress, linked both to potentially inadequate reward packages and high costs of living. Employees are paying more for rent, energy and groceries, to say nothing of any other purchasing, and this experience shapes how they interpret pay decisions from their employers.

Organisations in parallel face their own budget constraints and uncertainties. Reward teams are being forced to manage personnel costs in a more targeted way, shifting away from uniform interventions to supporting purchasing power where pressures are higher while safeguarding affordability.

What organisations offer their employees in 2026

Pension plans	31.3%
Performance-based pay models	24.4%
Retirement planning support	24.4%
Employee discounts or cost-of-living support	21.8%
Short-term financial assistance (e.g. salary advances or employee loans)	21.5%
Flexible reward compensation (e.g. choice between cash, benefits, or time off)	21.3%
Employee recognition or reward platforms	20.7%
Pay transparency tools (e.g. pay ranges, salary bands, internal equity dashboards)	19.4%
Voluntary savings or investment plans	19.0%
Skills-based pay models	18.2%
Financial education or coaching	17.6%
Earned wage access (access to pay already earned before payday)	15.6%
Total reward statements	15.5%
Digital or flexible payment options (e.g. pay cards, digital wallets, instant pay)	14.7%
Option to choose when to be paid (e.g. flexible pay dates or on-demand pay)	13.4%

Many organisations (52%) are exploring benefits, allowances, practical knowledge and other offerings aside from salaries to give employees more value. The goal for many companies is to steer clear of inflating fixed salary costs if other reward structures suffice during this unstable period.

The most valuable reward options for employees in 2026

Pension and retirement planning support	33%
Pay linked to performance or results (performance-based pay)	29%
Pay linked to skills or competencies (skills-based pay)	28%
Transparent information about pay levels and fairness (e.g. pay ranges, pay gap insights)	24%
Possibility to choose the composition of my reward package (between cash, benefits or time off)	22%
A clear overview of my total rewards and benefits (total reward statement)	22%
Discounts or support with cost of living (e.g. partner deals, subsidies)	20%
Recognition or reward platforms (e.g. points, vouchers, peer recognition)	19%
Voluntary savings or investment plans	17%
Short-term financial support if needed (e.g. salary advances or employee loans)	14%

Developing non-salary support options may be a helpful way forward for many companies. Around 1 in 3 (33%) of employees find pension and retirement planning support to be valuable, and 24% find transparent information important. However, there is still a strong focus on salaries, especially when linked to performance or skills.

The other challenge organisations face, along with figuring out how to reward their people, is how to communicate about their own affordability issues. If employees do not understand the “why” behind decisions that impact their reward packages but keep companies afloat, or if interventions seem inconsistent, they can interpret necessary cost discipline as unfair.

Market dynamics will always affect pay levels in ways that organisations cannot control. Having a clear and well-articulated policy will show internal fairness and give people insight into cost decisions.

The end of the “one-size-fits-all” rewards package

As employee and job seeker expectations diversify in line with external pressures, uniform reward structures become obsolete. People want to receive remuneration and benefits that fit their needs and life stage. Employers, in turn, are turning towards more agility: performance differentiation, skills premiums in scarce areas, and recognition that supports engagement.

Pulse research shows how essential flexibility has become for employees, shown quite explicitly in the gap between what companies offer now and what employees would like as part of their rewards package moving forward.

The top 10 rewards employees would like versus whether they are offered

	Offered	Would like
Extra days off	16.5%	39.8%
Flexible working hours	27.1%	30.6%
Fixed salary	55.8%	25.8%
Health and well-being programmes	14.0%	25.5%
Meal vouchers or meal allowance	18.8%	24.7%
Additional pension insurance	10.8%	23.5%
Additional health insurance	14.0%	23.1%
Gifts for special occasions	15.3%	21.8%
Life insurance	8.3%	19.5%
Fuel card, fuel vouchers or charging card	6.8%	19.1%

Many employees would like extra days off (39.8%) and flexible working hours (30.6%). There is a smaller gap between the desire and implementation for flexible working hours, but only 16.5% of organisations offer extra days off. At the same time, only 1 in 4 (25.8%) of employees would like a fixed salary, and over half of companies (55.8%) offer it.



“Flexibility is becoming a must. Companies that don’t offer it will struggle to attract and retain talent.”

Virginie Verschooris
Reward & Data Content Manager at SD Worx

These gaps are an opportunity for organisations to become more flexible and modernise reward structures. The way forward is to build reward packages as an employee experience.

You can build reward structures that allow for personalisation so long as there are clear rules and boundaries. Variable pay works if you have credible and controllable measures. And skills-based pay can add flexibility without undermining structure if skills are defined, validated and linked to measurable progression.

Setting these measures in place enables a more mature rewards structure and system.

How to enable reward maturity:

- Have a clear philosophy, principles and decision rules that can stand up to scrutiny.
- Give managers tools, FAQs and guardrails so they can handle pay conversations consistently.
- Establish clean job mapping and improve data quality and analytics to detect anomalies, monitor equity and model scenarios.

Practical steps for reward leaders

1. **Make transparency a strategic advantage, not just a compliance exercise. Ensure that pay ranges, job roles and decision rules are clear, explainable and consistently applied.**
2. **Build reward systems that balance fairness with affordability to retain employees currently feeling real financial pressure.**
3. **Modernise total rewards with relevance, choice and clarity. Employees want more personalisation, and flexible reward structures are among the biggest gaps between what organisations offer and what employees want.**
4. **Prioritise skills- and performance-based pay to differentiate talent, support capability-building and avoid unnecessary fixed pay increases.**
5. **Build stronger governance to make reward fair and explainable. Make communication on ranges and rules clearer, give managers tools and guardrails and invest in better data analytics processes and tools.**
6. **Address affordability through targeted interventions. Move away from blanket pay increases to measures like pension support, savings plans, cost-of-living benefits or other temporary supports.**
7. **Give managers and leaders guidelines and playbooks to better handle pay conversations so communication is more fair and transparent.**



“Many companies are still doing everything backwards, implementing solutions without a proper foundation. They need to go back to basics and build from there. Reward policy is not something separate. It’s connected to everything in HR.”

Brecht Mangelschots
Reward Manager at SD Worx

Conclusion

Reward is being asked to do two difficult things at once: prove fairness and stay affordable. The organisations that succeed will not be the ones that spend the most, but the ones that build robust systems. Consistent decisions and explanations need clearer architecture, continuous equity control, strong governance and realistic choices on affordability.

In the run-up to 7 June 2026, companies definitely feel the pay transparency pressure, but the gains are undeniable. Promises will become proof, reactive pay will move to strategic choices and policy will become practice.

Modernising reward for a changing workforce is just one of the challenges HR leaders are reckoning with this year. Our 2026 HR & Payroll Pulse explores this and other critical pressures surrounding people operations and strategy in Europe now and in the coming years.

You can download the full report for free for the most expansive look at where reward sits among other challenges and what organisations should do to future-proof the world of people work. For the latest evidence-based insights, head to the SD Worx Research Institute hub to better understand and address your unique HR and payroll challenges.

Check out the [SD Worx Research Institute website](#) for more insights about the European workplace.