

New for 2026

Managing Rising People Costs





Introduction

Over the past few years, the landscape for businesses has been reshaped by increasing challenges, from economic uncertainty to shifting employee expectations.

There is an intense pressure on businesses to manage rising people costs. The recent Budget announcements, talent shortages, and increasing wellbeing demands are all competing for investment from squeezed budgets.

For many companies, these pressures can feel particularly acute. Balancing the need to remain competitive - while keeping costs in check and maintaining a supportive work environment - is no easy task.

This guide aims to provide practical strategies and insights for managing rising people costs in a way that supports both your business goals and the needs of your employees.

Whether you're looking to optimise your workforce, improve employee retention, or implement cost-effective benefits, we've gathered solutions that can help you navigate the complexities of today's workplace.

We understand the challenges that come with trying to do more with less. Managing rising costs will remain high on the agenda for businesses, and we will continue to provide support where we can.

If you'd like to explore any of the topics further or need tailored advice, you can reach out to our team at contact@pib-eb.com. We're here to support you every step of the way.

26%^{26%}

**of employees are
unsatisfied with their
employee benefits**

2025 Mind the Gap Survey



Victoria

Victoria Watts
Head of Corporate
Victoria.Watts@pib-eb.com



Spotlight on the Autumn Budget

The Autumn Budget 2025 sets the backdrop for a challenging 2026, with policy choices that increase pressure on both everyday finances and employer costs.

What are the key updates?

- > The National Living Wage will rise from April 2026
- > Income tax and National Insurance thresholds remain frozen until 2031
- > From 2029, salary-sacrificed pension contributions above an annual £2,000 threshold will no longer be exempt from National Insurance
- > From April, the state pension will go up by 4.8% to £241.30 a week for people on the newer state pension, and to £184.90 a week for people on the older basic state pension.



For employers

These changes could mean tighter household budgets and greater financial stress, particularly for those most affected by pay compression, housing and commuting costs or debt.

Our research highlighted that:

- > 76% of employees don't feel they get any support from their employer with their finances
- > Only 15% of employees feel 'confident' with their financial decision making
- > 56% of employees do not feel prepared for their financial goals such as retirement or buying a house

The statistics highlight how financial unease remains prevalent among employees, in light of the budget announcement. It's important now more than ever that employers offer clear communication, take a proactive approach to financial education and support employees at every life stage.



For employees

The 2026 landscape makes employee financial wellbeing central to managing rising people costs. The National Living Wage increase and frozen thresholds push up wage bills and intensify pressure on lower-paid roles, so employers need to model where costs and risks are highest, rather than applying blanket pay increases.

Targeted pay adjustments in critical roles, smarter use of existing benefits can allow organisations to control total employment costs while reducing turnover, absence and pressure on pay. Now is also the time to review salary-sacrifice arrangements ahead of the 2029 changes, understand the National Insurance implications and plan a phased response that protects long-term savings.



A closer look at the proposed changes to Pension salary exchange:

This table illustrates how current and post-change salary exchange arrangements for pension contributions affect National Insurance for both employers and employees at different salary levels.

While the need for review and change is not immediate - with the proposed changes not due until 2029 - it is important to understand the direction of travel so that employers can plan future strategy and communications in good time.

Pensionable Pay	All figures p.a.	Employees Pension Contribution	Employer Pension Contribution	Employee £	Employer £	Employee Surplus (Over £2000 limit)	Employee NI Threshold	Employee NI Savings (8% or 2%)	Employer NI Savings (15%)	Outcomes to Employees	Outcome to Employers
£35,000	Post April 2029	5%	3%	£1,750	£1,050	£0	£2,000	£140	£263	No Change	No Change
£40,000	Post April 2029	5%	3%	£2,000	£1,200	£0	£2,000	£160	£300	No Change	No Change
£65,000	Pre-April 2029	5%	3%	£3,250	£1,950	N/A	N/A	£65	£488	Current Position	Current Position
£65,000	Post April 2029	5%	3%	£3,250	£1,950	£1,250	£2,000	£40	£300	£25 reduction in take home pay	£188 increase in costs

Monthly impact on £65,000 earner	£2.08 p.m. reduction in take home pay	£15.67 p.,m. increase in costs
----------------------------------	---------------------------------------	--------------------------------



Strategies for Cost Reduction

As people costs continue to rise, we recognise the growing strain on budgets. This guide identifies some key strategies which could help reduce costs without sacrificing your employee experience.

Utilising Salary Sacrifice

Salary sacrifice schemes have emerged as a valuable mechanism for reducing employer National Insurance Contributions and delivering savings to employees. By facilitating pre-tax benefits, such as pensions, cycle-to-work schemes or electric vehicles, companies can alleviate some of the payroll burden. Salary sacrifice allows employers to strategically manage the increased National Insurance rate by reducing taxable salary amounts – helping to offset rising people costs.

Salary sacrifice schemes also offer employees the advantage of a tax-efficient way to access benefits, enhancing employees' value perception of their overall compensation.

Taking Insured Benefits to Market

Companies can opt to take their insured benefits to market allowing them to reassess their current arrangements and seek competitive options that could reduce costs or enhance the quality of coverage.

Reviewing offerings - such as life insurance, income protection, and critical illness cover - can identify policies that better align with both budget constraints and employee needs. Market benchmarking can provide valuable insight into alternative providers and plan structures. This strategic approach can result in significant savings, enabling employers to maintain robust, cost-effective benefit packages amidst increasing economic pressures.



Company N

We're always conscious that rising costs are putting pressure on budgets, and so part of our pension review process for new clients is to identify costs saving opportunities.

Last year we saved Company N £155k in National Insurance savings by switching their pension structure to salary sacrifice. This also saved employees an average of £400 annually.





Driving Engagement to Improve Employee Health

Our 2025 Mind the Gap survey found that a third of employees do not currently engage with their employee benefits. This lack of engagement represents a missed opportunity to enhance employee health and wellbeing effectively.

Through implementing tailored communication strategies, companies can raise awareness and increase uptake of health-related benefits, such as wellbeing programs, mental health support, and preventative care options. It's important to recognise that communicating via email is likely to be over saturated and so companies should look to employee feedback for more targeted ideas. Driving engagement can foster a healthier, more motivated workforce - strengthening productivity and helping to reduce long-term absence costs for both employees and employers.

32%

of employees do not engage with their benefits

2025 Mind the Gap

Switching to Voluntary Benefits and Reducing Wasted Spend

To manage rising people costs, we've seen clients shifting towards voluntary benefits, allowing employees to select benefits that align with their needs and life-stages. This approach can reduce the likelihood of wasted spend on underused benefits by offering a tailored, flexible benefits package.

Our 2025 Mind the Gap Survey found that 71% of employees would like more flexibility when choosing their benefits. Voluntary benefits allow employees to opt into programs like gym memberships, additional insurance cover, or wellbeing packages through salary sacrifice or direct contributions. This not only alleviates some of the cost burden for employers but also boosts employee satisfaction by delivering a choice-driven reward package.



Leveraging Benefits Technology

An employee benefits platform doesn't just streamline administration; it also plays a powerful role in cost control and employee satisfaction. By housing both employer-funded and voluntary benefits within a single platform, employers can simplify benefits administration, cut down on manual workload, and eliminate wasted spend through improved tracking and management of engagement.

glo Save

A discount portal like **glo** offers employees an extensive range of exclusive discounts. Implementing a discounts portal can increase engagement from employees and often improves their financial wellbeing at a very low cost to the employer.



Review Your Benefit Limits

Review your current benefit limits and see what cost effective reductions or alternatives you can put into place, perhaps a limited term on income protection or a limited outpatient benefit on your private medical insurance.



Company L

At Company L their PMI uptake was low. We created an employer-funded cash plan as an alternative option for employees, and built a custom element on their benefits portal so that employees can toggle between the medical cover they have.

Although Company L pays for a top-tier cash plan, cover was still cheaper than PMI. This system has doubled healthcare engagement; from 40% to 80%.

Removing Duplication

Eliminating duplicated benefits within benefit packages can help streamline costs and enhance the value of total rewards. When employees receive overlapping benefits, such as similar health coverages (Virtual GP), under both Cash Plans and Private Medical Insurance, it leads to inefficiencies and unnecessary spending.

By carefully reviewing and realigning benefit packages, companies can consolidate these offerings, ensuring that each benefit serves a distinct purpose without redundancy. This approach not only reduces costs but also clarifies the benefit structure for employees, enabling them to fully understand and appreciate their rewards.

Our 2025 Mind the Gap Survey found that over a third of employees (33%) struggle to understand communications about their benefits, which underscores the importance of a clear structure and accessibility.



All data and statistics taken from Mind the Gap Survey 2025, PIB Employee Benefits

Get in touch

For more information about any of the issues covered in this guide, please get in touch one of our employee benefits specialists.

 enquiries@pib-eb.com

 0345 565 1617