

# Managing Rising People Costs

2025





# 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 SMEs, 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 maximise your people costs, 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. Navigating increasing costs may be challenging, but we often find there are unexplored paths and hidden opportunities that can support cost management initiatives.

**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](mailto:contact@pib-eb.com). We're here to support you every step of the way.**

*Chris*

Chris Tamplin  
Head of SME

**24%** *24%*

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

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# 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 2024 Mind the Gap survey found that over half of employees working for SMEs 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.

58%

**58%**

**of SME employees do not engage with their benefits**

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## 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 2024 Mind the Gap Survey found that 69% of SME 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.



## Investigating Cheaper Alternatives (Cash Plan vs PMI)

When looking to reduce costs it is important for companies to audit their existing benefit provision, identifying areas where cheaper alternatives could be implemented. Healthcare options offer an ideal example, many companies compare Cash Plans with Private Medical Insurance (PMI). Cash Plans offer a practical low-cost solution for everyday health expenses, covering routine costs like dental check-ups and optical care. They provide affordable, accessible support for employees while keeping costs manageable for employers.

PMI, on the other hand, covers more extensive medical treatment and specialist care, which can include surgery and hospital stays. This cover often comes with higher premiums, meaning for companies seeking an economical yet effective health benefit, Cash Plans may provide a compelling alternative, maintaining employee wellbeing and satisfaction while helping control costs.



## 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 2024 Mind the Gap Survey found that over a third of employees (37%) struggle to understand communications about their benefits which underscores the importance of a clear structure and accessibility.



### 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%.



## The Flex Fund Revival: Adapting to a New Era of Benefits

“Over the years, the value of the flex fund has diminished as many employers have transitioned certain voluntary benefits, such as healthcare cash plans, dental insurance, and private medical insurance, into core benefits. However, as rising costs strain employer budgets, the flex fund or spending account could see a resurgence as early as 2025.

The flex fund provides an adaptable way for employers to allocate a set budget to employees, empowering them to select the benefits they find most valuable. This shift allows companies to maintain a high-quality benefits offering while optimising spending and leaving core benefits largely intact. Employees, in turn, have a more personalised and meaningful benefits experience, gaining access to their choice of benefits based on individual need rather than a one-size-fits-all approach.

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For more information about the themes in this guide please get in touch with our SME experts.

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All data and statistics taken from Mind the Gap 2024, PIB Employee Benefits

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