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S E L E C T I O N



THE COST-OF-LIVING CRISIS AND EMPLOYEE BENEFITS



Both employers and staff are feeling the crunch as the cost of living continues to rise. This white paper examines the current impact of the cost-of-living crisis on salaries, the actions employers are taking to support their people, and how Government policy could change the situation.

We also explore the implications of all this for employee attraction and retention in the current talent drought, and offer suggestions and solutions for employers who may be struggling to fill roles.

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1. Current economic market and salary trends

Statistics reveal that almost every employee has been hit by the cost-of-living crisis—and some have been hit extremely hard, according to these figures from Totaljobs and CIPD.

90%

of UK workers have experienced rising work-related costs in the last year.

47%

of UK workers consider themselves to be living 'payslip to payslip'.

Over a
3rd

of UK workers say the rising cost of living is compelling them to consider changing sectors to secure higher pay.

12%

say their pay is not enough to support an acceptable standard of living.

10%

find it a constant struggle to keep up with bills and credit commitments.

27%

say their pay is not enough to cope with a £300 emergency.

More worryingly still, employees are not getting adequate support, according to People Management—and most would like to see more action from their employers in the next six months.

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people in the UK are not claiming the benefits they're entitled to.

46%

of employees feel uncomfortable discussing their financial wellbeing.

48%

want a monthly cost of living pay boost.

53%

want their employer to increase their salaries outside the regular schedule of pay reviews.

28%

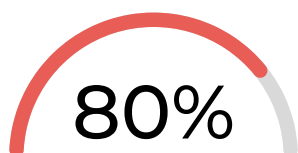
want subsidies for daily expenses like cost of energy or travel.

28%

want a one-off cost of living payment.

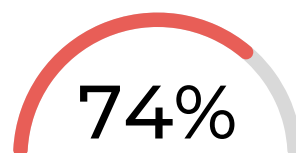
UK inflation is at a 30-year high and expected to rise further once the energy price cap is lifted. And with many employers still on tight budgets post-Covid, salaries aren't keeping up—the Institute for Fiscal Studies estimates the average UK worker will be around £13,000 worse off annually by the mid 2020s.

An upcoming rise in National Insurance contributions will add to the pressure on both employees and employers. While the National Living Wage is also set to rise, average weekly earnings after tax are still set to fall in real terms, creating the worst problems for the lowest-income families.



of those from lower socioeconomic backgrounds are worried about rising living costs,

VS



of those from more privileged backgrounds.

According to the Resolution Foundation, basic costs like food and housing bills make up twice the proportion of monthly expenditure for lower income families compared to top earners.

While job vacancies are at an all-time high, inflation-hit businesses are struggling to afford the cost of attracting new hires, especially as the Great Resignation is finally tapering off, with

62% of people now satisfied with their current role.

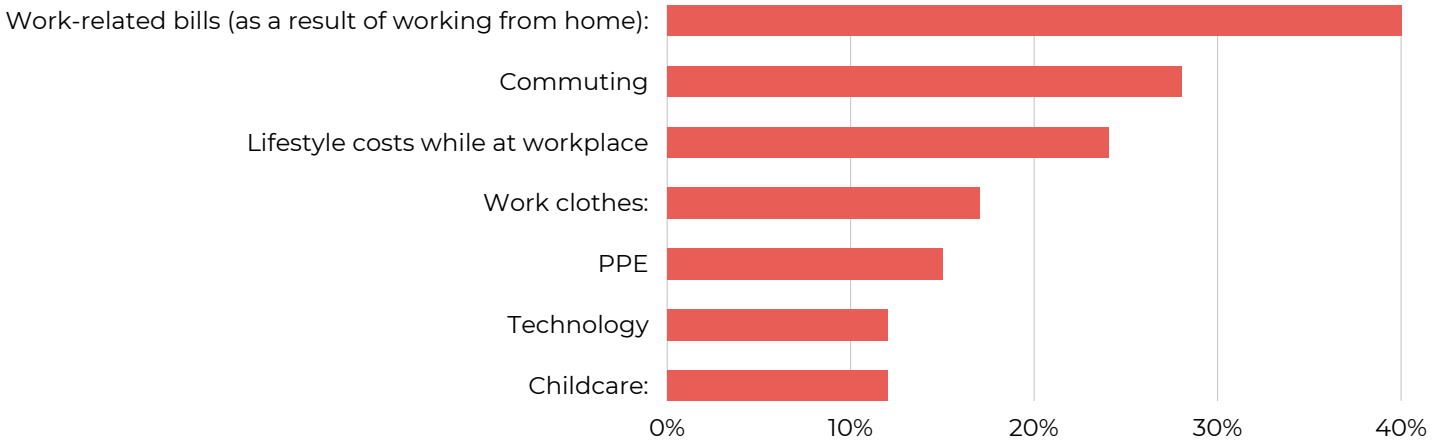
Although 59% of UK workers say a pay rise at least in line with inflation is one of the most important factors in their job, just 58% of employers managed to afford pay rises last year, and 35% of those failed to keep pace with inflation. Yet 34% of senior decision-makers got raises between 6%-10%, and another 16% enjoyed a massive 11-20% raise—despite being in the demographic least affected by the cost-of-living crisis.

Redistributing some of that extra wealth could be vital to attract and retain talent in today's candidate-short market. 14% of UK workers now say they've received a higher-paid job offer and their current employer has tried to retain them with a counteroffer—and 11% have actually talent that counteroffer, revealing that competitive salaries do work.

In the year to come, 40% of employers only plan to offer pay rises of 1-5%, failing to keep pace with inflation, which is currently at 5.5%. However, only 13% plan to give no pay rise at all.

2. Impact of cost of living

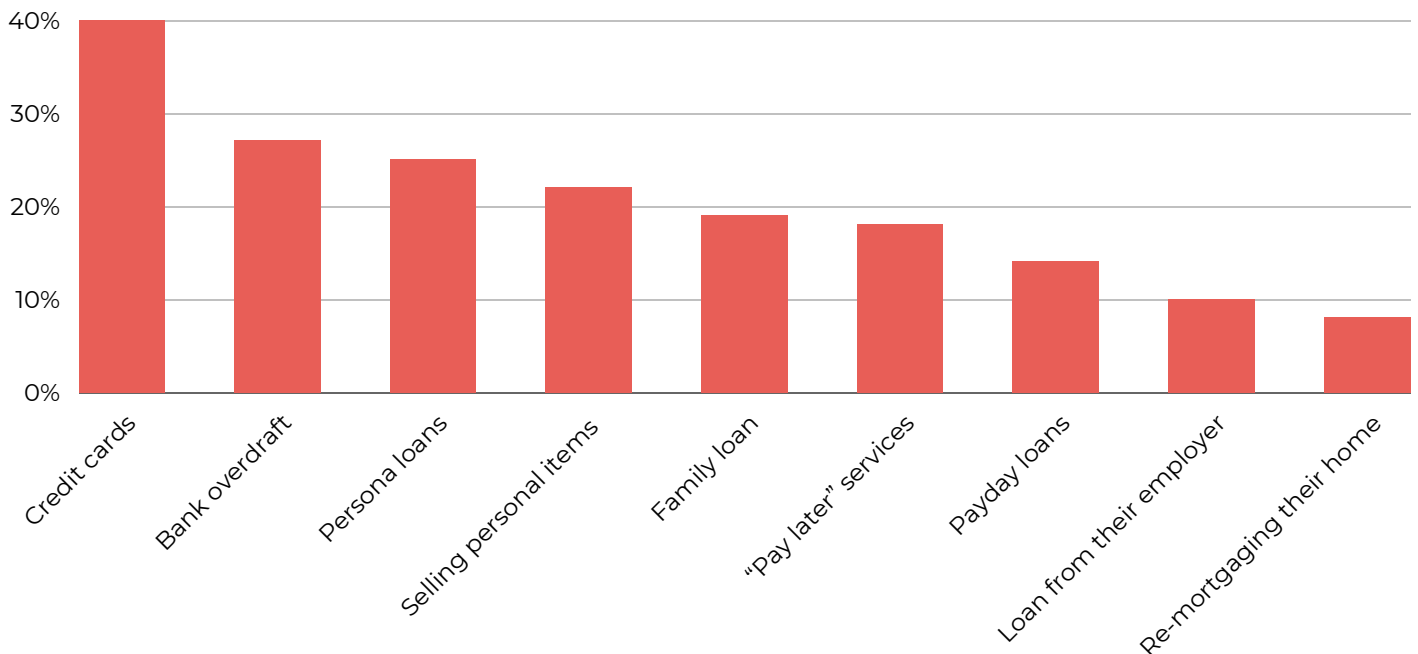
90% of UK workers say their work-related costs have risen since the start of 2022, meaning they're effectively paying to work—and this is just one facet of the impact of the cost of living on work. Here are the most common costs employees say have risen:



Covering these costs is impossible for some, with 30% of employees saying their current salary doesn't cover their living costs, 36% saying it doesn't provide a good quality of life, 47% living "payslip to payslip", and 9% unable to even afford their rent. 7% have already moved to cheaper housing because of this.

10% of employees have taken out loans to cover basic living costs for the first time, and another 17% expect to in the near future. The average UK worker is now £1,756 in debt.

21% of people are turning to financial support to fund their basic living expenses. Methods used include:



3. Actions for employers

a. Employee benefits

Employers can support employees through the cost-of-living crisis in two main ways: increase their pay or reduce their costs.

Increasing pay may not actually help all employees, as tax and NIC deductions will take a share of any cash awards, and entitlement to benefits like universal credit and child benefit may be impacted. Covering employees' costs can be more helpful, as it's often possible to do this without attracting extra tax or impacting benefits.

What's more, employees quickly get used to a pay rise, but place greater value on unexpected and interesting small benefits that help to ease the pressure of living costs.

In our experience, feedback indicates that employees are placing greater value on small, interesting and unexpected benefits provided by their employer, which help reduce the impact of the cost of living pressures. Some of these include:

1. Help with food costs

Employee discount schemes can make a real difference. Rising grocery prices will cost the average household an extra £215 per year, but employee discounts and cashback could claw back the whole amount.



2. Help with fuel costs

UK fuel costs rose at the fastest rate for 30 years in 2022. Consider offering digital gift cards, cash back, or even a salary sacrifice scheme to help employees buy an electric car, which can be cheaper to run as well as more environmentally friendly.

3. A buffer against financial risk

Income protection—a form of insurance that allows employees to keep being paid if illness, for example, prevents them from working—can be one of the most important employee benefits. You can also support your people in managing their own financial risk with financial education products like SaveSmart.



4. Debt help

The Royal College of Psychiatrists have found that half of all adults with a debt problem also struggle with mental ill-health—which means your employees' debt problems are your problem. Payroll lending is a cheap, risk-free way to help them manage debt.



5. Mental and physical health support

Financial stress is impacting employees' wellbeing, so consider offering health cash plans, discounted gym membership, or private health insurance, which often comes with free nutrition, fitness and mental health programmes.

6. Offering more flexibility

Allowing home working more often and for more employees will help them save on travel, childcare, food at work, and other work-related expenses.



7. Payroll savings

The number of Brits with less than £100 in savings is at 12 million and growing. Payroll savings plans (including 'opt out' savings) can make it much easier for employees to save. If you're not in a position to set that up, consider creating an employee savings community and offering to contribute a percentage of the amount they save.

3. Actions for employers

b. Other actions

There are plenty of additional actions employers can take that don't directly rely on spending or lending money.

1. Practical education and support

Encourage employees to be open about their finances, and offer practical financial education to help them get more in control, make better decisions, and plan for the longer term.



2. Pensions advice

Younger workers may be tempted to cut pension contributions to afford basic needs, but this risks leaving them in poverty in the future. Try making pension schemes more accessible so people can actually see what's in their pension pot and what they can expect to have when they retire. Offer guidance and support on pensions and the benefits of contributing.

3. Talking about mental health

In tough financial times, people's mental health inevitably suffers, and their work performance suffers as a result—36% of millennials say money worries are impacting their work performance, according to Mintago. So again, encourage employees to be honest about what they're going through. HR teams need to be speaking openly to employees about these issues.



4. Building a supportive culture

Offer training for line managers around mental health and financial issues, and be aware of inequalities around this topic. For example, women are up to 33% more likely to suffer financial stress than men. Consider having a designated mental health first aider in the company, and make sure everyone knows who they are. Check in regularly with staff to see how they're doing, and minimise out-of-hours contact to avoid burnout. Don't underestimate the value of mental health support in these difficult times.

4. Optimising recruitment in today's market

In any candidate-short market, let alone in today's unprecedented talent drought, investing in expert support is vital. The more scarce talent is, the greater the advantage of working with a trusted recruitment partner. After employers who have this advantage have taken the pick of the talent, there will be little left over for those who are still trying to handle recruitment in-house.

At Marlin Selection, our objective is to forge a partnership based on consultancy. By harnessing our industry experience, we quickly relate to your business, tailoring an approach that will work for you. We focus on working collaboratively, drawing together our skills, experience and strengths to create the best possible experience both for you and for the candidates we represent.

We continually study the nuances of the market and the specific requirements of your roles by speaking with candidates and listening to your needs. Through this ongoing process, our aim is presenting qualified candidates, matching your needs in ways that extend beyond a list of skills.

We have a focussed and quality-driven approach, which is reflected in our long-term client relationships. Working with a small number of clients enables in-depth solutions and insight. It is this ethos we look forward to demonstrating to new clients. When engaging with clients, we establish clear expectations, what success will look like, and the roadmap to get there.

We offer trusted advice and coverage within our retained services. In partnership with you, we assist you in achieving your talent acquisition goals - on a temporary, fixed-term and permanent basis. Our areas of expertise include:

- HR administration
- HR/People business partners
- Talent acquisition partners
- Recruitment partners
- Benefits partners
- L & D professionals
- HR generalists
- ER generalists
- D & I partners
- HR/People managers
- HR/People directors
- HR Audit/Compliance



We offer bespoke, flexible consulting that assists clients with projects, staff shortages and any other ad hoc need. We support every stage of the employee lifecycle with our experienced, qualified people, who are industry specialists in HR - so we understand your business and your challenges.

Our bespoke consulting covers all areas of the employee lifecycle:



We conduct HR audits to identify areas of risk or weakness, knowledge gaps, and training shortfalls, and support you by creating robust policies and employee handbooks.

A high-angle photograph of three men sitting around a light-colored wooden conference table in a modern office. The man in the center has long, wavy brown hair and is wearing a white t-shirt. He is looking down at a document on the table. The man on the left has short dark hair and is wearing a blue denim jacket over a dark shirt. The man on the right has short dark hair and is wearing a white button-down shirt. They are all looking towards the center of the table. On the table, there is a black smartphone, a black mouse, a white coffee cup, and some papers. The background shows white office cabinets with light wood trim.

Conclusion

The evidence makes it clear that the cost of living is severely impacting most UK employees, and is likely to impact their work performance in turn, while tight budgets are making it hard for many employers to absorb the costs with salary increases. The same budgetary concerns have left employers struggling to attract and retain skilled talent in the current talent drought.

Both issues must be addressed urgently—but the good news is that both can be addressed without breaking overstretched budgets. A combination of offering practical support to employees and seeking practical support with recruitment will enable employers to weather the current storm.

Get in touch

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