

Cost of Living Crisis: Tips for Employers

Despite a recent fall, the latest figures show that inflation in the UK is 10.5%[\[1\]](#), close to a 40-year high. As high inflation persists, employees are seeking ways to cut costs and make their pay go further. Financial worries often lead to stress and anxiety which, in turn, can have a negative impact on an employee's performance at work. Employers are increasingly seeing workplace issues due to financial stress, including absenteeism and lower levels of engagement.[\[2\]](#)

One way for employers to tackle this problem is to introduce measures aimed at reducing the financial burden on employees, and the stress associated with financial concerns. This short article details suggestions for employers who are considering helping their employees navigate the crisis.

Financial support

Direct Financial Support

Employers can make a one-off cost-of-living payment to employees. If a one-off payment is to be made, it is important to consider whether it will be a lump sum amount paid to all employees, or an amount linked to salary. Communication around any one-off payment is important. It must be clear that this is an isolated discretionary payment and not one which forms part of the employee's remuneration package. Where payments are made only to employees on lower salaries, rather than all

employees, this may lead to complaints of unfair treatment.

Alternatively, employers could choose to bring forward annual review dates for salary and bonus increases. Where an annual review of salary is brought forward, the date upon which any increase becomes effective can also be brought forward to allow the employee to benefit from the increase for a longer period.

The National Living Wage (NLW), which takes effect from 1 April 2023, will see the NLW increase from £9.90 to £10.42. This increase to the NLW may have a bearing on how, and for what duration, you choose to offer financial assistance.

Indirect Financial Support

Salary sacrifice arrangements (whereby an employee gives up the right to receive part of their salary in return for a non-cash benefit), are one way in which indirect financial support can be provided. An employer will have the flexibility to select the non-cash benefit and, from an employee's perspective, participation in the salary sacrifice scheme can lead to savings on tax and national insurance. One such scheme is the cycle to work scheme, run by the government, which may help an employee save transport costs when commuting by cycling to work. We recommend that any employer considering implementing a salary sacrifice scheme takes advice on the tax and NICs implications.

Discounts and subsidies are other measures which may provide effective indirect financial support for employees. As an employer, discounts can include staff discounts on your own

goods and services. Alternatively, you can enter agreements with other organisations to provide discounts on their goods and services, such as restaurants or gyms. Discounts can usually be run at a low cost to the employer whilst helping to reduce employees' costs. These arrangements, depending on how these are tailored, may also increase the appeal of an organisation to any prospective employees.

Providing lunch, or a lunch allowance, on certain weekdays can be another effective way to lower employee costs. To some extent, the effectiveness of these practices will depend on how they interact with any flexible working arrangements that are in place.

Flexible Working

Flexible working is a term that, amongst other things, encompasses remote, hybrid and part-time working, compressed and adjustable hours, and job sharing.

Introducing, or expanding the scope of, a flexible working policy may help employees in different ways. For some employees, working from home more regularly will be beneficial because this may reduce expensive travel costs, or the amount spent on childcare. In contrast, other employees may wish to attend the office more regularly to minimise electricity and heating bills.

Another potential benefit of a flexible working policy is greater productivity. 93% of those interviewed in a recent Chartered Management Institute (CMI) survey[\[3\]](#) said they had seen evidence that stress caused by the cost-of-living crisis

was impacting the productivity of their employees. A flexible working policy may help to alleviate stress caused by financial concern and, in turn, boost productivity.

Wellbeing

The importance of employer wellbeing practices has increased substantially in recent years, particularly following the Covid-19 pandemic. The impacts of the pandemic, and the increased demand for healthcare which have followed, have contributed to 81% of employers focusing more on employees' mental health.[\[4\]](#)

The 2022 CIPD report on health and wellbeing at work noted that the 51% of organisations taking a strategic approach to employee wellbeing were more likely to report positive wellbeing achievements, at both an individual and organisational level. Wellbeing assistance can take the form of financial assistance, in the form of benefits or subscriptions to wellbeing platforms, or staff communications led by managers within the organisation.

Assisting employees – a balancing act

We recognise that it can be challenging for an employer to know how to help employees with any financial difficulties. There is no 'right' way to assist. With this in mind, when determining how to provide assistance to employees, employers should consider the context in which they are assisting. Where useful, and feasible, employers can look to involve the employees in this process. For example, an employer can consult with employees about what form of assistance would be

most helpful and use any feedback to make an informed decision. In any case, employers should seek legal advice on their proposals and ensure that such proposals are communicated to employees clearly and considerately.

Brahams Dutt Badrick French LLP are a leading specialist employment law firm based at Bank in the City. If you would like to discuss any issues relating to the content of this article, please contact Anthony Nzegwu (AnthonyNzegwu@bdbf.co.uk) or your usual BDBF contact.

[\[1\]](#) ONS CPI annual rate change over 12 months (released 18 January 2023).

[\[2\]](#) Chartered Management Institute survey of 1000 managers and team leaders on the cost-of-living crisis and workplace stress.

[\[3\]](#) Chartered Management Institute survey of 1000 managers and team leaders on the cost-of-living crisis and workplace stress.

[\[4\]](#) CIPD Health and Wellbeing at Work 2022.