

# EMPLOYMENT COSTS ARE RISING – ARE YOU PREPARED?

Many employers are now facing a significant increase in staffing costs following the recent changes to National Minimum Wage and National Living Wage rates, together with higher employer National Insurance contributions.

For some businesses, particularly those operating with tight margins or larger staffing levels, these increases may place considerable pressure on profitability during 2026.

While wage increases are designed to support employees during a difficult economic period, they also create additional financial challenges for many employers who are already dealing with increasing operating costs and competitive pricing pressures.

## THE HIDDEN IMPACT ON PROFITABILITY

The direct increase in wage costs is only part of the issue. In many cases, rising pay levels can also lead to:

- Higher employer National Insurance costs
- Increased pension contribution costs
- Pressure to maintain pay differentials between staff levels
- Higher overtime and holiday pay costs
- Increased subcontractor and temporary staffing charges
- Reduced profit margins if prices are not reviewed


Many businesses are now discovering that staffing costs represent a much larger proportion of turnover than in previous years.

## WHY BUSINESSES SHOULD REVIEW STAFFING COSTS NOW

Businesses that have not reviewed their pricing, productivity or staffing structures recently may find that profits reduce gradually, even where turnover remains stable.

Areas worth reviewing may include:

- Staff utilisation and productivity
- Overtime arrangements
- Shift patterns and staffing levels
- Pricing structures and gross margins

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- The profitability of products, services or contracts
  - The use of technology and automation to improve efficiency
  - Remuneration planning for directors and family members

Early planning may help businesses avoid more difficult decisions later in the year.

#### HOW WE CAN HELP

We are increasingly helping businesses assess the financial impact of rising employment costs and identify practical ways to protect profitability.

We may be able to assist with:

- Employment cost reviews
- Profitability analysis
- Pricing and margin reviews
- Cash flow forecasting
- Budgeting and financial planning
- Director remuneration planning
- Business restructuring and efficiency reviews
- Management accounts and performance monitoring

Even relatively small improvements in pricing, efficiency or financial planning can sometimes make a significant difference over the course of a year.

#### LETS TALK

If you are concerned about the effect rising employment costs may have on your business, please contact us on **01753 888211** or email **[info@nhllp.com](mailto:info@nhllp.com)** to discuss how we may be able to help you review your position and plan ahead.