

The Cost of Talent - How to Compete on Pay and Benefits

EMPLOYEE
BENEFITS



How to Compete on Pay and Benefits

The idea that you “get what you pay for” in today’s world might be cliché, but it’s still true—particularly when it comes to acquiring top talent. The competition for skilled employees is so fierce in 2025 that many companies have resorted to poaching talent from competitors, promising them higher wages and better benefits in exchange for their abandoning their existing roles.

According to McKinsey, talent poaching methods have increased exponentially since 2022, the age of the “Great Resignation.” Offering a competitive salary and benefits package isn’t just about keeping top employees; it’s about ensuring you can attract them, too.

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How to Compete on Pay and Benefits



Over the past decades, employee expectations have evolved significantly. In 2025, workers expect an average pay rise of 4.5% (thanks to inflation), and 72% say salary is the most important factor they consider when choosing a job.

However, candidates aren't just looking for the right pay.

To stay competitive, companies must go beyond aligning compensation with market rates. They need to upgrade their entire employee value proposition.

Here's how you can get ahead in the war for talent.



Understanding Modern Compensation

Compensation packages have grown increasingly complex in recent years. In the past, all you needed to do to attract talent was offer a salary that matched market rates. Now, skilled candidates expect companies to combine competitive salaries with comprehensive benefits, flexibility, work-life balance, and opportunities for flexible growth.

According to the Harvard Business Review, in some industries, employees also expect companies to introduce annual incentive plans, with extra bonuses for excellent performance.

Today's companies need to consider the following:



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Understanding Modern Compensation

Base Pay Dynamics

Base salary remains a fundamental component of any strong compensation package. According to the latest UK Salary Report, the average employee expects a pay rise of 4.5% this year, and candidates with specialist skills expect even higher wages.

Employees face significant economic turmoil due to rising living costs and inflation, and they expect companies to adapt accordingly. They also know that competition for their skills is high, meaning they're willing to switch jobs quickly in search of better remuneration.

The Benefits Evolution

Employee benefits have transformed significantly, moving beyond traditional offerings like retirement plans. Modern employees expect personalised benefits that cater to their needs. This includes mental health support, financial wellness programs, and flexible working arrangements.

As mentioned above, most employees will overlook lower salaries for flexible rewards, such as the freedom to adjust their schedule, access training, or even obtain equity and shares in a business. They're also prioritising greater work-life balance, searching for remote working options, and improving mental health support.



Understanding Modern Compensation

Development Costs

Investing in top talent also means investing in your employees' potential, providing them with the training and resources they need to achieve more in their roles. Investing in mentorship, training programs, and courses also costs money, but it's crucial to attracting and retaining top talent.

It's also the key to improving the return on investment from hiring initiatives, ensuring companies can give their teams the skills they need to thrive in a changing landscape.



Identifying Baselines: Developing Your Salary Strategy

To compete for talent in the industry, companies first need a clear understanding of the standard **“market rate”** for specific employees and the salary benchmarks in their industry. This means investing in comprehensive research, as expected salaries can vary drastically based on a company’s location, the skills of a professional, and the industry.



Begin by evaluating the current market rates for roles within your industry. This involves collecting data on average salaries, bonuses, and benefits for comparable positions. Online reports and intelligent benchmarking tools can give you a basic insight into the types of “salary ranges” certain employees expect based on location, skills, and industry factors.



Identifying Baselines: Developing Your Salary Strategy

However, please don't rely on those reports alone, as they can offer a fragmented view of the market. Instead, do your own research into the remuneration packages offered by competitors. Pay attention to the overall value of the package they offer, looking not just at base salaries but also at annual incentive schemes and benefits. Remember that variations are common among industries and locations.

For instance, in the UK, London jobs often offer the highest wages due to the higher cost of living. However, some companies can afford to provide lower salaries by offering remote working options.

Compare the results of your research to your current remuneration strategy. If you're falling behind in compensation, think about what you can improve – **the base salary**, **the benefits package**, or even your approach to **skill development**.



Identifying Baselines: Developing Your Salary Strategy

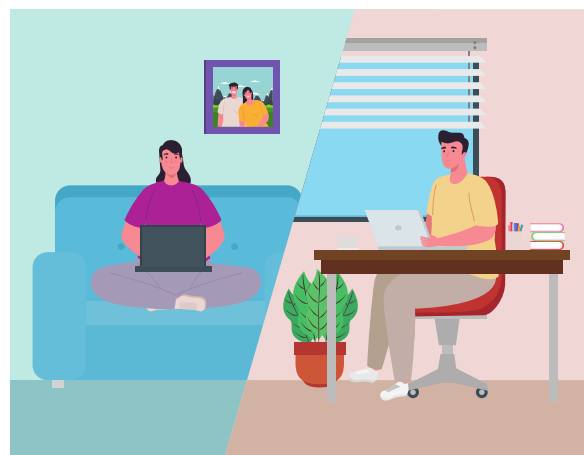


In a competitive job market, base salary is far from the only thing that matters. In fact, according to the 2025 Salary report, around 53% of employers are struggling to meet salary expectations. Fortunately, companies can still compete with the right benefits.

Employees increasingly value a holistic approach to compensation that encompasses a well-designed benefits package, flexible working arrangements, opportunities for learning and development, clear career progression paths, and robust recognition systems.

Focus on finding opportunities to improve your EVP through the following:

- Benefits package design
- The value of flexible working
- Learning and development opportunities



Identifying Baselines: Developing Your Salary Strategy



Benefits Package Design

A thoughtfully curated benefits package is pivotal in meeting the diverse needs of employees. While traditional benefits like retirement plans remain essential, modern employees also prioritise offerings such as enhanced sick pay and substantial pension contributions.

Notably, 26% of candidates seek sick pay above statutory requirements, and 25% value generous pension contributions. To encourage excellent work, consider experimenting with other benefits, such as equity plans, performance-based incentives, and bonuses.

The Value of Flexible Working

Virtually every employee wants flexibility in the workplace. A significant 66% of workers are willing to forgo a pay rise to secure flexible working arrangements, highlighting their critical role in job satisfaction. Offering flexible working opportunities demonstrates your commitment to improving work-life balance and could help you attract more talent.

If certain roles don't accommodate hybrid or remote working, consider exploring the benefits of a four-day work week, or allowing employees to choose their working hours on certain days.



Identifying Baselines: Developing Your Salary Strategy

Learning and Development Opportunities

Investing in employees' professional growth through continuous learning and development programs attracts more talent to your team and boosts productivity and retention levels. Provide access to training courses, workshops, and mentorship programs.

Show your team members you're invested in helping them achieve their career goals with clear progression pathways and structured development plans. Implement robust recognition programs to keep employees invested and motivated.



Implementing a Strong Salary and Benefits Strategy

Implementing a competitive salary and benefits plan that remains competitive requires meticulous planning and a focus on constant improvement. In today's industry, expectations are constantly evolving, and organisations need to stay agile.

When building your salary and benefits plan, start by:

★ **Assessing your business needs:**

Ensure you understand your business goals and how a strong remuneration package can help you achieve them. Examine your current compensation strategy to identify potential weaknesses and areas for adjustment, and use salary benchmarking to compare your offers with industry standards.

★ **Getting stakeholders involved:**

Engage with managers and employees to understand their needs and expectations. Commit to developing clear materials for employees that outline compensation structures, performance metrics and growth opportunities. Regularly engage with stakeholders to collect insights and feedback and improve your plan.



Implementing a Strong Salary and Benefits Strategy

★ Enabling package customisation:

Address the diverse needs of your workforce by offering customisable compensation packages. This may include flexible benefits, variable pay options, and opportunities for professional development. Allowing employees to tailor their compensation plans can increase your chances of attracting and retaining top talent.

At the same time, as you plan to roll out your salary and benefits packages, remember legal compliance. Throughout sectors, particularly in the UK, salary laws are changing, thanks to the arrival of a new government. Ensure you know minimum wage laws, overtime provisions, and anti-discrimination statutes.

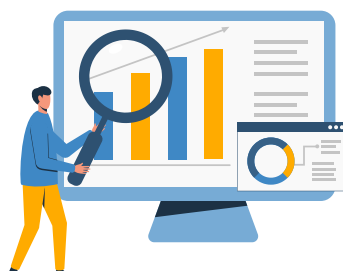


Measuring the Results of Your Strategy

Once you've implemented your upgraded salary and benefits package structure, measure the results of your strategy. Pay attention to:

- **Recruitment Success Metrics:** Monitor time-to-fill positions, offer acceptance rates, and the quality of new hires to understand the attractiveness of your compensation packages.
- **Retention Indicators:** Track turnover rates and conduct exit interviews to understand if compensation is influencing employee departures.
- **Satisfaction Measures:** Use employee surveys and feedback mechanisms to gauge compensation satisfaction and identify improvement areas.
- **Cost-Benefit Analysis:** Regularly compare the financial investment in compensation against productivity, revenue growth, and employee engagement metrics.
- **Market Position Tracking:** Stay informed about industry compensation trends to maintain a competitive edge and adjust your compensation strategy as needed.

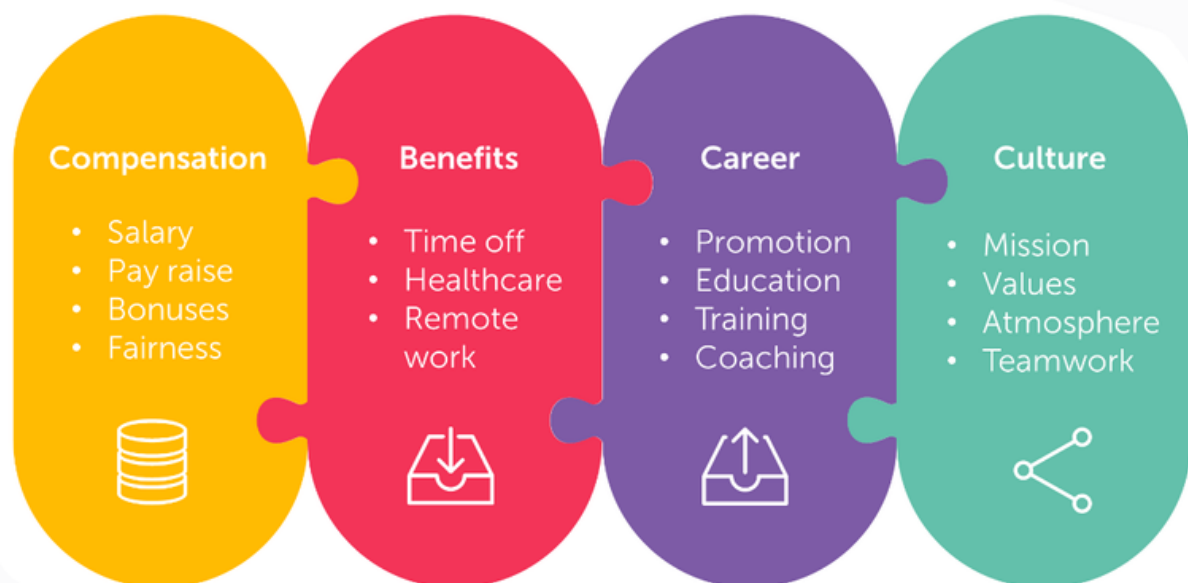
Remember, monitor these things constantly, particularly as the market continues to evolve, to ensure you don't fall behind the competition.



Review, Upgrade and Improve Compensation

In a competitive talent market, it's more important than ever for companies to ensure they're offering their candidates the compensation and benefits they deserve. Simple matching market rates aren't enough. Companies need to invest in a comprehensive approach to upgrading their EVP with the **right salary, benefits, and opportunities.**

The concept of overhauling your remuneration strategy might be daunting at first, but the results are incredible. The right efforts will improve employee satisfaction and retention rates, reduce recruitment costs, and strengthen the market position.



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Our founder, Rachel Constant-Taylor, started in recruitment in 2006, the same year her youngest daughter was born. With a background in the IT industry since leaving school, moving into IT recruitment was a natural fit for her, combining her real-world knowledge of working in Tech companies with her love of people. She saw an opportunity in 2012 to create a unique recruitment agency of her own that delivered exceptional service and expertise.

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