

Insights

AUTUMN BUDGET 2024 – KEY EMPLOYMENT HIGHLIGHTS

A SUMMARY OF THE EMPLOYMENT ASPECTS OF TODAY'S BUDGET

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SUMMARY

The Chancellor of the Exchequer, Rachel Reeves, has published her Autumn 2024 budget with the aim of “fixing the foundations of the economy and delivering change by protecting working people.” We set out a very brief summary of the employment law aspects of the budget.

INCREASE IN EMPLOYERS' NI

- Employers' national insurance contributions will be increased by 1.2% to 15%, and the threshold at which businesses start paying National Insurance will be lowered from £9,100 to £5,000, effective from 6 April 2025.
- The Employment Allowance, which allows businesses to reduce NI liability, is to increase from £5,000 to £10,500, and the £100,000 eligibility threshold will be removed. This appears to be an attempt to support smaller business with the increases to 15% referred to above. According to the Chancellor, this means that 865,000 businesses will pay no NICs at all, and more than half of employers with NICs liabilities will either see no change or will gain overall next year.
- The increase in employers' NI contributions will raise £25bn each year by the end of the forecast period.

INCREASE IN THE NMW

- The legal minimum for the National Living Wage for over-21s will increase by 6.7% to £12.21, equivalent to £1,400 a year for an eligible full-time worker.
- Additionally, as part of a long-term plan to move towards a single adult rate, there will be:
- a £1.40 increase for those aged 18-20 (from £8.60 to £10.00 per hour); and

- a £1.15 increase for those aged 16-17 and apprentices (from £6.40 to £7.55 per hour)
- The Accommodation Offset rate will also increase to £10.66 a day.

These both represent significant increases, and the National Minimum Wage increase is one of the first examples of Labour following its manifesto pledges. However, neither measure is likely to land well with employers. Smaller employers in certain sectors may benefit from the changes to the Employment Allowance, but those same employers might be less than happy with the increases to the minimum wage, as they are frequently the very employers who tend to employ young people on minimum wages.

UNEMPLOYMENT RATES

Increasing the number of people in jobs is a large part of the government's plan to encourage growth. Labour has unveiled an ambition to reach an 80% employment rate in the long-term. As part of the "Get Britain Working" White Paper, the government is investing £240 million to find new ways to get people back to work.

This article was co-written with Trainee Solicitor Alesha Patel.

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