

2010 Budget: Employers NI Contributions

'Swings and Roundabouts' on Employers' Contributions to National Insurance

■ Tim Preston Tuesday 22 June 2010

■ What it Means in General

The Chancellor today confirmed that the 1% rise in Employers' National Insurance Contributions (also called "the tax on jobs") announced by the last Labour government will go ahead.

However, this will be less of a discouragement to employers than it might be, as the 'lower earnings limit' for National Insurance contributions (currently £97 per week) will also increase by 'inflation plus £21'.

This is consistent with the strategy of the rest of today's Budget, also seen in other measures such as the changes to income tax and state benefits. There are to be increased incentives for those currently living on state benefits to take even low paid work if it is available, and for employers to make such work available. However, this will sometimes be at the expense of higher earners and those who employ them.

The increase in the lower earnings limit has two effects:

1. Employers will not have to pay *any* NI contributions for staff earning less than the lower limit, affecting mostly low paid part-time staff.
2. For most other staff, at least another £21 per week of income will be exempted from NI, which in itself amounts to a saving of £2- £3 per week per member of staff.

■ What it Means for Your Business

Against this, the 1% rise in Employers' NI Contributions means that there will be a 'swings and

roundabouts' effect for most employers. Some will find themselves on balance neither much better nor much worse off than they were before. Quite a few businesses, it must be said, will be moderately worse off.

Employers who do best will be those who employ a large number of low paid staff, meaning normally relatively unskilled and/or part-time staff. Good for cleaning companies; bad for IT companies, for example.

Few companies will hire or fire staff just because of these National insurance Changes; but where a business decision is in the balance they may make the difference.

The government may never publicly say it in these terms, but the underlying philosophy of this and other changes in today's budget is that *cheap labour is better than a free dole*.

■ Regional Incentives through NI

There are also to be exemptions from Employers National Insurance contributions for the first three years for smaller private sector employers who take on new staff in areas (not yet defined, but presumably especially urban parts of the North) that currently depend too heavily on the public sector to provide jobs.

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