Community First Yorkshire

What are the key employment-related implications of the Autumn 2021 Budget?

Most importantly, the main areas of interest were the continuation of measures to support skills and apprenticeships, the introduction of a health and social care levy and the increase to national minimum wage rates.

Increases to national minimum wage

Firstly, the Chancellor announced key increases to the National Living Wage, a change that will have an impact for workers and employers. Notably, for those aged 23 and over and in full time employment, the increases represent a rise of over £1,000 to their yearly income.

The new hourly rates that will apply from 1st April 2022 are:

For those aged over 23	From £8.91 to £9.50
For those aged 21 to 22	From £8.36 to £9.18
For those aged 18 to 20	From £6.56 to £6.83
For those aged under 18	From £4.62 to £4.81
Apprentice rate	From £4.30 to £4.81

Significantly, it is believed that these rates will benefit over two million lower paid workers. Therefore employers are advised to ensure plans are put in place to ensure that from April 2022 they are paying all employees either at or above these increased rates.

Continuation of measures for skills and apprenticeships

The Chancellor also announced continued investment into skills and apprenticeships aimed at boosting opportunities for people to retrain and upskill. This includes a confirmed extension to the £3,000 apprentice hiring incentive for employers until 31st January 2022 and an announced investment in the Sector Based Work Academy Programme (SWAPS) which gives unemployed people the opportunity to undertake work experience, learn new skills and retrain into high-demand sectors in their local area.

An increase of funding aimed at apprenticeships was also announced. Specifically, this is an increase in funding for the National Skills Fund so that more adults in England can access funding for in demand Level 3 courses.

The main implication of these measures is that the government will be able to continue to meet 95% of the apprenticeship training cost for employers who do not pay the apprenticeship levy and will also endeavour to deliver apprenticeship system improvements for all employers. These improvements include:

1. May 2022: An enhanced recruitment service for small and medium-sized enterprises, helping them hire new apprentices.
2. October 2022: Introducing a return-on-investment tool to ensure employers can see the benefits apprentices create in their business.

Changes to employment taxes

Finally, the most notable change to employment taxes was the introduction of a new Health and Social Care Levy targeted at paying for reforms to the care sector and NHS. This levy will apply to earnings from April 2022 and will see an increase of 1.25% on the rates of:

1. Class 1 Primary (employee) and Secondary (employer) National Insurance Contributions on earnings
2. Class 1A and Class 1B Contributions paid by employers on benefits provided to employees
3. Class 4 National Insurance Contributions paid by the self-employed on profits

In terms of how this levy will be introduced, in the year 2022/23, there will be a single increase that will only effect those who pay National Insurance contributions, including both employees and employers. Then, from 2023/24 onwards, the levy will operate as a separate payment to National Insurance contributions and will also apply to those above the State Pension age.

The change was a U-turn on the Government's manifesto policy that they wouldn't increase personal taxes but they say this was necessary to help to pay for much needed reforms in the care sector and the NHS. Employers are concerned however about the increased costs of employing staff. It is reported that three in ten firms have told the Institute of Directors that they will employ fewer people as a result of the increases in NI.

For further advice on this please email one of our HR advisors at employment.advice@communityfirstyorkshire.org.uk

October 2021