

Labour must change course on the NI 'jobs tax'



By Andrew Griffith MP, Shadow Business & Trade Secretary

Tuesday 3rd December 2024

Labour has always been the anti-business party, and in just five months they have reminded everyone why.

Taxes: raised to record levels. Business confidence: crushed. Inflation: already going up. All whilst demonstrating that the promises they made to get elected were not worth the paper they were printed on. Today, we will vote in Parliament on the Bill to implement Labour's 'jobs tax'. £25 billion to be extracted via National Insurance hikes to fund largesse for an unreformed public sector.

What Labour do not grasp is that it is employees, consumers and society who are the collateral damage in their war on business. They must change course. Otherwise, this is the beginning, not the end, of Britain's economic malaise.

This manifesto-breaking policy will make it more expensive to hire staff. In doing so, it will depress wages, limit job opportunities and cost jobs.

As a direct result of the jobs tax, businesses will see a double-digit percentage rise in employment costs. For example, it will cost £1,100 more a year for a business employing a student working weekend shifts. That is simply unaffordable to many small businesses like pubs, cafes and shops - the backbone of our economy. Sectors with lots of part time workers such as hospitality, retail and care workers will be disproportionately hit.

By the Government's own admission, it is a regressive tax hitting the lowest paid the hardest.

That closed pub or shop on the high street? The price of the 'jobs tax' meaning they can no longer make ends meet.

Your child or grandchild unable to get a starter job or part time work whilst studying? The impact of higher NI rates and the income threshold at which they bite being lowered.

Of businesses impacted, 85% say they will have to reduce headcount or staff hours.

Any economist worthy of the title would know that taxing jobs is one of the most destructive ways to raise revenues. It reduces employment, moves people off payrolls onto welfare, and creates a two-tier economy - weighing down the most productive parts of the economy to support the least productive.

But Labour dogmatically ploughs on, seemingly oblivious to the facts at hand amid a growing chorus of opposition. Their summer of 'trash talking' the economy, a Budget which led to the cost of government borrowing increasing, inflation ticking up. Predictably, the Institute of Directors revealed this week that business confidence has tumbled to its lowest level since records began, barring only the period of a global pandemic.

And the jobs tax is just one of a three-pronged assault. In keeping with the economically illiterate approach to businesses and breaking yet another promise, Labour's Inheritance Tax raid will also have a profound effect on family businesses.

Their changes to business property relief will bring a small chain of family butchers, bakers or even candle-stick makers into paying the death tax for the first time ever. Many will not be able to find the funds to afford an unexpected tax bill running into hundreds of thousands of pounds driving them into sale or closure. Just like the Jobs Tax, it will siphon money away from wages, investment and the profits which fuel growth in the UK.

To top it off, Labour barrel ahead with their union inspired Employment Rights Bill. It will drown businesses in a tidal wave of red tape, embolden trade unions, encourage strikes, and penalise those who dare to venture out and set up an enterprise. In short - it is a jobs killer.

During the election, we heard ad nauseum how Keir Starmer's number one priority was to get Britain's economic growth to be the fastest in the G7. That was plausible then given that he inherited an economy already growing at the fastest rate in the G7. But actions speak louder than words and since Labour have been in charge, the UK has tumbled down the growth table. Reportedly, after just 150 days in office instead of junking his failing Chancellor, he is instead junking this flagship pledge.

What should happen now? If they are serious about a 'reset' the government should talk positively about their economic inheritance, should delay at least the NI threshold changes to give businesses more time to adjust and ditch the rushed Employment Bill which has been savaged by the government's own regulation-regulator as not fit for purpose.

Working with businesses key to any government. Because it is private enterprise - not the state - which creates economic growth. If the first 14 weeks has been anything to go by, I fear it is a lesson Starmer is yet to learn.