

Businesses face monthly hike of £209 per employee

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The latest insight from [The Global Payroll Association \(GPA\)](#), reveals that the upcoming changes to employer National Insurance contributions and the National Living Wage mean that UK businesses who employ people on the National Living Wage will see the cost of each employee rise by £209 per month from April 2025.

In the Labour government's Autumn Statement, it was announced that from April 2025, employer National Insurance Contributions (NICs) will increase from 13.8% to 15%; the threshold where employers pay NICs on each employee's salary will fall from £9,100 to £5,000 a year; and the National Living Wage (NLW) payable to those aged 21 and over will increase from £11.44 per hour to £12.21 per hour*.

What do the changes mean for UK businesses?

GPA has looked at how much an employee aged over 21 who earns the National Living Wage and works 160 hours a month (40hrs per week) costs their employer in terms of employer NICs, wages, and pension contributions, and how this is set to change when the Labour government's new employer NIC and NLW changes kick in from April 2025.

Increases to the NLW mean that the average employee's wage will, when working 40 hours a week, increase from £1,830 per month to £1,954 – an additional cost of £123 per month for the employer.

This will result in the average employer pension contribution rising from £39.31 per month to £43.01 – a cost increase of £4 per month for the employer.

National Insurance changes mean that the average monthly employer contribution will increase from £147.95 to £230.54 per employee – an increased cost of £83 for the employer.

Overall, this means that the average employee earning the NLW and working 40 hours a week will cost their employer £2,227.15 per month from April 2025, marking a total monthly increase of £209.

While this may not seem like a huge difference, it soon mounts up when accounting for all affected staff. To illustrate, [research from Reuters*](#) has shown that the changes are going to have a staggering impact on staffing costs for some of Britain's biggest NLW employers.

The supermarket giant Sainsbury's employs around 150,000 people, and as such predicts that from April 2025, its staffing costs will increase by £140m per year.

Marks & Spencer is expecting a cost increase of £120m a year, as is Royal Mail owner, International Distribution Services.

Meanwhile, ASDA and BT are both expecting their annual staffing bill to rise by £100m as a result of Labour's NLW and NIC changes.

Melanie Pizzey, CEO and Founder of the Global Payroll Association, says: "The government's election pledge to avoid tax increases for working people has necessitated increased taxation for UK businesses, and the additional minimum wage increases will have a particularly significant impact on those businesses who pay a large proportion of their workforce the National Living Wage."

The upshot is that employees will be better off, but this benefit could well come with a few caveats. With staffing costs on the rise, businesses will face additional financial strain and may, therefore, have to find ways of cutting costs elsewhere. This could mean that benefit packages are slashed, staff numbers reduced, and pay rises cancelled.

While we hope that any such measures are kept to an absolute minimum, they are, in some cases, inevitable. And it's absolutely essential to ensure that cost cutting measures do not result in essential employee-focused services, such as HR and payroll, being jeopardised or weakened. We encourage any businesses who have concerns in these areas to come and speak to us about the many ways that they can maximise the efficiency of payroll without risking its integrity or accuracy."