

UK businesses increasingly concerned over incoming NIC and NLW increases

5 months ago



The latest insight from [The Global Payroll Association \(GPA\)](#), reveals that the number of small and medium sized businesses who are considering laying off staff as a result of the imminent increases to Employer NIC contributions and the National Living Wage has shot up by +8% in the months since the changes were first announced during October's Autumn Budget.

During last October's Autumn Budget, the UK government announced that the rate of employer Class 1 National Insurance contributions (NICs) is to [increase from 13.8% to 15% from April 2025](#). Furthermore, April will also see an increase to the [National Living Wage \(NLW\), also known as the National Minimum Wage](#), led by a 6.7 % increase to £12.21 per hour for over-21s.

In the immediate wake of the Budget, [GPA surveyed UK SME owners](#) to understand what impact these changes were likely to have on the nation's businesses, revealing substantial concerns about the impact the increases will have on their ability to afford rising staffing costs.

Now, GPA has recommissioned the survey to see how this sentiment has changed in the four months since the Budget. Do businesses now feel more at ease with the upcoming changes, or have concerns increased over time?

In November, 29% of SMEs said that the increase to employer NICs was going to put financial pressure on their business. Today, this has increased by +12%, to mean that 41% now have real concerns.

There has also been a +3% increase in the number of businesses who say they have even greater concerns about the implications of the increase to the NLW, rising from 18% in November to 21% today.

The number of businesses who feel more inclined to push salary sacrifice arrangements as a result of the government's changes now sits at 30%, marking an increase of +9.

Meanwhile, half (50%) of SMEs now say that the increases to NICs and the NLW mean they're less likely to increase their company headcount over the next year, marking an increase of +8% since November.

41% of SMEs now say that Budget means they are less likely to issue pay rises above the NLW, marking an increase of +6% since November, while the number of businesses that say there is a chance they will need to lay off staff in the wake of the Budget now stands at 34%, marking an increase of +8%.

Melanie Pizzey, CEO and Founder of the Global Payroll Association, says: "When we first ran this survey in November of last year, we were saddened but unfortunately not surprised to see that the immediate reaction to the Autumn Budget was one of great concern.

"There was, however, a hope that as the dust settled and businesses had time to properly evaluate the implications of higher NICs and a more generous NLW, sentiment would improve as more SMEs identified a viable path for navigating the changes without enduring too much pain.

"Sadly, it seems the opposite is true. In the intervening months, and having gained a greater understanding of what the future holds, even more businesses are expressing grave concern, with increased numbers now having to consider stripping benefits, avoiding new hires, and even cutting jobs simply to stay afloat in the wake of governmental intervention.

"To those businesses, I repeat what I said back in November: yes, staffing is likely your biggest overhead, but if you're loath to punish your employees for the government's decisions, it's worth considering the alternative routes towards reducing costs that might be available to you.

"As a starting point, integrating technology into your business can streamline processes and eliminate unnecessary waste. If, for example, you currently outsource your payroll and HR to a third-party company, you might consider investing in a tech platform that can handle the duties for you at a fraction of the cost. While this immediate saving alone isn't going to be enough, it will be a step in the right direction for minimising overheads without sacrificing the very workforce that enables your business to thrive so successfully."

Survey results

- *[*Survey of 808 small to medium business owners carried out by ProperPR on behalf of the Global Payroll Association via consumer research platform Find Out Now \(18th February 2025\)](#)*
- *[Full survey results from both November 2024 and February 2025 can be viewed online, here.](#)*