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What will the autumn budget bring for employers?

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By Annie Makoff

Tax changes, retraining funds and new technology lead experts' predictions, as government is urged to invest

A new national retraining scheme, an extension of the controversial IR35 tax rules into the private sector and further funding for the digital and technology sectors are among the main predictions made by HR and employment experts ahead of Wednesday's budget.

In what will be the chancellor's second budget this year – following a new timetable that saw the spring budget and autumn statement swap places – Philip Hammond will set out plans to address the UK's slowing economic growth with a focus on the younger generation.

Although Hammond announced plans in March to raise the personal tax-free allowance to £12,500 by 2020 and national insurance (NI) rates are set to increase again in 2018-19, the government's sudden U-turn on plans to increase NI contributions for the self-employed after the budget, coupled with low growth forecasts and a thin government majority, has left experts predicting that this budget will be even weaker on concrete tax and employment proposals.

Leon Deakin, partner and head of the employment team at Coffin Mew, told People Management that Brexit negotiations would overshadow employment law in the budget, and predicted that any safeguards following the Taylor review into the gig economy would be "parked" for the time being.

Instead, there is potential for a further partial lifting of the public sector pay cap, and for shifts in the way self-employed individuals are taxed. Proposals to extend the reformed IR35 rules – which came into effect on 6 April – into the private sector have been tipped to form part of the budget, but experts warned this would lead to significant disruption.

Private sector employers would be required to deduct tax and NI contributions from contractors' pay at source, rather than allowing them to defer and claim expenses. Given the upheaval the rules have caused in the public sector to date, this would be a major intervention.

Tim Dunn, partner and recruitment sector specialist at accountancy firm Menzies, said: "If the chancellor announces the expansion of the IR35 changes to the private sector, this could cause significant upheaval for recruiters, as well as for the many employers that rely on contract labour.

"If the tax breaks associated with self-employment are reduced or removed, temporary or contract workers are

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Both the Confederation of British Industry (CBI) and the Federation of Small Businesses, meanwhile, want to see more investment to help boost productivity to support business growth.

Carolyn Fairbairn, CBI director-general, called on the government to demonstrate a continuing commitment to free markets and “a pro-enterprise environment”, and urged the chancellor to focus on incentives to “invest today not postpone until tomorrow”, while Mike Cherry, national chairman at the Federation of Small Businesses, said his organisation wanted to see more investment in skills.

On the national living wage, Cherry said: “We hope the chancellor takes into account the current cost pressures on small businesses when setting the new national living wage (NLW). In light of the recent string of poor economic statistics and continued uncertainty, the FSB has called for the NLW to be increased no higher than £7.85, which would be a 4.7 per cent rise on this year.”

Meanwhile, proposals for a new national retraining scheme to help individuals retrain and reskill for the workplace are set to be unveiled tomorrow, while more funding to improve infrastructure at local and regional level is also expected to be announced.

Stephen Levinson, consultant solicitor at Keystone Law, said he wanted to see more protection for low-paid workers, and called on the government to invest in enforcing compliance among companies to prevent exploitation.

Digital investment across artificial intelligence, driverless cars and other technologies is likely to be on the agenda, with the government poised to invest £75m into artificial intelligence, £440m into electric cars and £160m into 5G signals, in addition to pledging £76m to improve digital and construction skills across workers.

Martin Ewings, director of specialist markets at Experis, said: “With so many different priorities among technology infrastructure, it’s important not to lose sight of nurturing future talent. Increased infrastructure spending is expected to be one of the pillars of the budget, but we must have the skills in place if the nation is to deliver on such projects, both now and in decades to come. More needs to be done if we are to close the ever-widening skills gap.”



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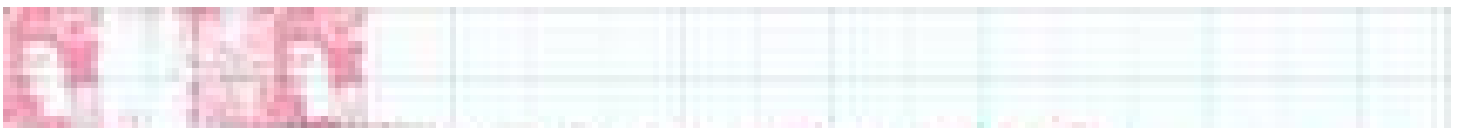
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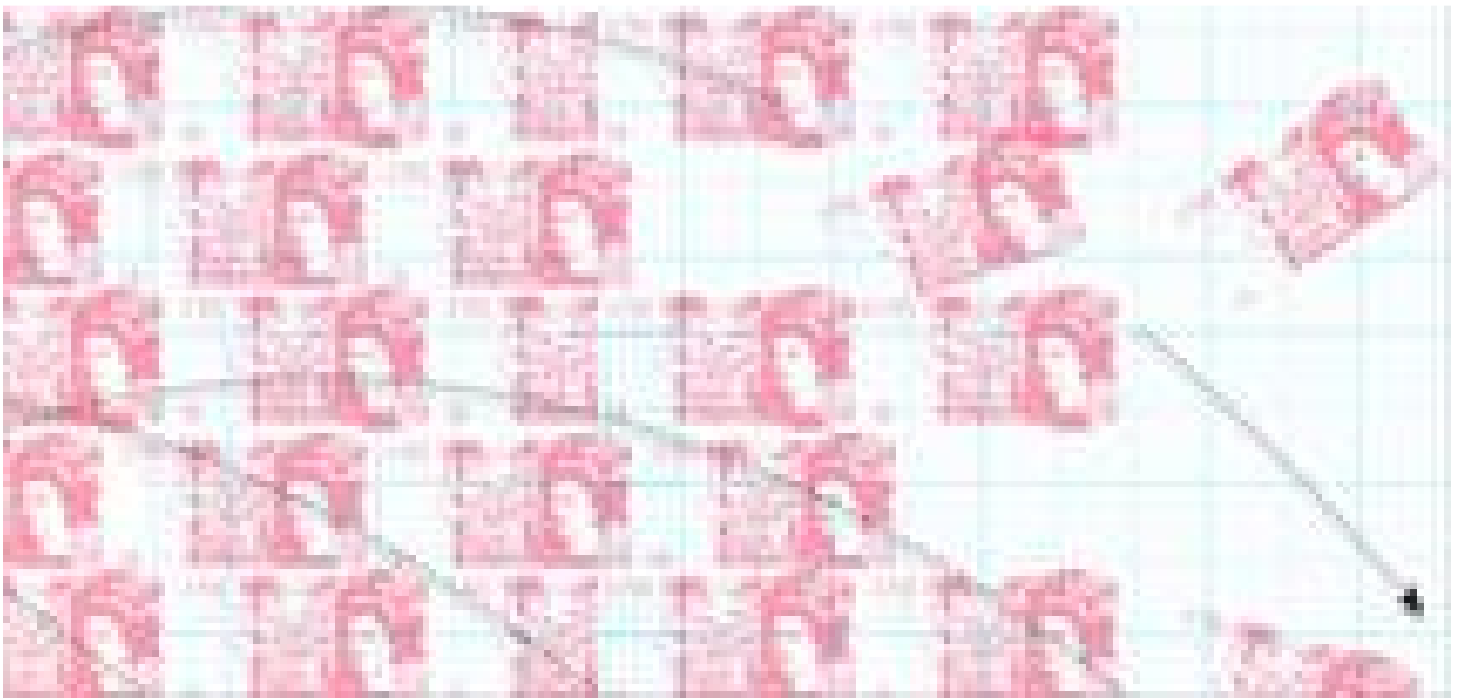
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